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Volume II



EXPLANATORY NOTES

for

DEPARTMENT OF AGRICULTURE

Fiscal Year

1957

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AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service was established by the Secretary of Agriculture on November 2, 1953 under the authority of Section 161 Revised Statutes (5 U.S.C. 22), Reorganization Plan No. 2 of 1953, and other authorities. The Service is organized to aid in advancing the orderly and efficient marketing and the effective distribution of products from the Nation's farms. The marketing and distribution functions of the Department are centered in this Service. The Administrator of the Service is also responsible for the coordination of all statistical work of the Department.

The Agricultural Marketing Service carries on the following principal programs:

1. Research and Agricultural Estimates. These functions include
 - a. marketing research directed toward the development of practical answers to problems encountered in moving agricultural products from the farm-gate through retail stores, including expanded outlets for new and established products, reduced costs, improved product quality, and improved market equipment and facilities;
 - b. analyses of the economic situation and outlook for farm products, including factors affecting price, supply, and consumption; and statistical studies on farm population, costs, prices and income in their relation to agriculture including causes for variations and trends;
 - c. crop and livestock estimates including acreages, yields, production, stocks, values and utilization of farm crops; numbers, production, value and utilization of livestock and livestock products and such related data on prices received and paid by farmers.
2. Marketing Services. These activities contribute to the efficient and orderly marketing of agricultural commodities through
 - a. the Market News Service which provides timely and reliable market reports on all major agricultural commodities to help farmers determine when and where and at what price to sell their products.
 - b. Inspection, classing, grading and standardization services to develop standards of quality for agricultural commodities and to use them in providing an impartial inspection, classing, and grading service.

- c. Freight rate service to assist in obtaining and maintaining equitable transportation rates and services on farm supplies and products.
 - d. Regulatory activities covering administration of laws aimed at protecting farmers and others from financial loss resulting from deceptive, careless, and fraudulent marketing practices.
 - e. Special mobilization work involving planning for processing and distribution of foods and fibers under emergency conditions.
3. Payments to States. The Service administers the matched fund program for marketing activities carried out through cooperative arrangements by State Departments of Agriculture, Bureaus of Markets, and similar State agencies.
4. School Lunch Program. Federal assistance is provided to States and Territories for use in serving nutritious midday meals to children attending schools of high school grades or under in order to improve the health and well-being of the Nation's children, and broaden the market for agricultural food commodities.
5. Removal of Surplus Agricultural Commodities and Marketing Agreements and Orders. These activities directly or indirectly tend to maintain prices received by farmers and establish and maintain orderly marketing conditions through
- a. removing from the market surplus agricultural commodities through purchase and donation to eligible recipients, export and diversion payments, and distribution of Commodity Credit Corporation donated commodities to eligible outlets authorized under Section 416;
 - b. administration of marketing agreements and orders;
 - c. cooperation with the food trade and others to encourage greater consumption of abundant foods.
6. Work Performed for Others. The Agricultural Marketing Service has also been delegated authority for, or is called upon, to perform other services for Federal, State and private agencies, on a reimbursable or advance payment basis. These include among others the special school milk program, and administration of Section 708 of Title VII of the National Wool Act of 1954.

The Agricultural Marketing Service maintains its central office in Washington, D. C., but a large part of the program activity is carried on through State offices on agricultural estimates and functional field branch offices of the several Washington commodity and functional divisions located in over 225 cities and towns in the United States, Hawaii and Puerto Rico.

On November 30, 1955 (excluding the offices of the Milk Marketing Administrators) there were approximately 6,700 full-time employees, distributed nearly 1,600 in the departmental service and the remainder in the field. In addition there were nearly 1,000 part-time and intermittent employees in the field. A substantial portion of Agricultural Marketing Service employment is financed through revenue from fees, charges, or other assessments and through joint financing or other arrangements with States and private cooperators.

	<u>Estimated Available, 1956</u>	<u>Budget Estimates, 1957</u>
Appropriated funds:		
Marketing research and agricultural estimates	\$11,657,620	\$13,565,000
Marketing services	12,674,510	13,016,000
Payments to States, Territories and Possessions	1,000,000	1,200,000
School Lunch Program	83,235,212	83,236,000
Total appropriated funds (excluding permanent appropriations)	<u>108,567,352</u>	<u>111,017,000</u>

Summary of Appropriations, 1956 and Estimates 1957

Appropriation Item	Total Estimated Available, 1956	Budget Estimates, 1957	Increase (+) or Decrease (-)
Marketing research and service:			
Marketing research and agricultural estimates	11,657,630	\$13,565,000	+\$1,907,370
Marketing services	12,674,510	13,016,000	+341,490
Payments to States, Territories and Possessions	1,000,000	1,200,000	+200,000
School lunch program	83,235,212	83,236,000	+788
Perishable Agricultural Commodities Act Fund			
(permanent a/)	460,000	460,000	- -
Removal of surplus agricultural commodities (30% of customs receipts - permanent b/)	166,761,959	199,525,000	+32,763,041
Total	275,789,311	311,002,000	+35,212,689
Deduct permanent appropriations (shown in detail above)	167,221,959	199,985,000	+32,763,041
Total (excluding permanent appropriations)	108,567,352	111,017,000	+2,449,648
Special Activity:			
Reimbursement to Commodity Credit Corporation for advances for grading and classing activities	--	367,740	+367,740

a/ In addition, unobligated balance of \$359,442 available in fiscal year 1956, of which \$302,442 is estimated to be carried forward into 1957.

b/ In addition, unobligated balance of \$300,000,000 available in fiscal year 1956, of which \$228,048,947 is estimated to be carried forward into 1957.

(a) Marketing Research and Service

	Marketing Research and Agricultural Estimates	Marketing Services	Total
Appropriation Act, 1956	\$11,046,000	\$11,960,000	\$23,006,000
Proposed supplemental, 1956, for pay act costs	618,000	687,000	1,305,000
Transfer from "Removal of Sur- plus Agricultural Commodities" for increased travel costs .	- -	43,000	43,000
Activities transferred in the 1957 estimates to "Salaries and Expenses, Office of the Secretary of Agriculture" for personnel investigations ...	-6,370	-15,490	-21,860
Base for 1957	11,657,630	12,674,510	24,332,140
Budget Estimate, 1957	13,565,000	13,016,000	26,581,000
Increase	<u>+1,907,370</u>	<u>+341,490</u>	<u>+2,248,860</u>

SUMMARY OF INCREASES AND DECREASES, 1957

Marketing research and agricultural estimates:

For additional marketing research	+1,217,000
For expanded statistical analysis, outlook and service work	+103,370
For studies on factors underlying and accentuating problems of low-income farm families and for strengthened analyses of farm manpower and related data	+199,000
Decrease for nonrecurring work on the revision and improvement of farmers' expenditure estimates	-177,000
For development of data on interrelationships of income between agriculture and industry	+25,000
For expanding and improving crop and livestock reporting services	+540,000
Subtotal	<u>+1,907,370</u>

Marketing services:

To expand and improve market news service	+104,055
To strengthen the grain inspection service and for financing the expansion of tobacco inspection to new markets	+85,400
For improving supervision of Federally-licensed warehouses and strengthening the administration of the Packers and Stockyards Act	+147,800
For special mobilization planning work involving: processing and distribution of foods and fibers: under emergency conditions	+53,600
Decrease due to providing a direct appropriation to the General Services Administration for certain leasing costs previously paid from this appropriation ..	-49,365
Subtotal	<u>+341,490</u>

PROJECT STAFF DNT

	1955	1956 (estimated)	Increases or Decreases	1957 (estimated)
1. Marketing research and agricultural estimates:				
a. Marketing research:				
(1) Market development ...	3823,644	3827,000	+3272,000	31,099,000
(2) Market organization and costs	1,562,395	1,938,700	+377,000	2,315,700
(3) Improving and evaluating product quality	1,716,124	1,804,600	+352,000	2,150,600
(4) Market transportation and facilities	1,003,227	1,227,200	+216,000	1,443,200
Total, Marketing research	5,105,390	5,797,500	+1,217,000(1)	7,014,500
b. Economic and statistical analysis:				
(1) Price, supply and consumption	644,548	675,930	+103,370	779,300
(2) Farm income	190,181	512,300	-152,000	360,300
(3) Farm population	163,609	178,000	+199,000	377,000
Total, Economic and statistical analysis..	998,338	1,366,230	+150,370(2)	1,516,600
c. Crop and livestock estimates:				
(1) Field crop estimates and reports	1,240,688	1,495,000	+221,100	1,716,100
(2) Fruit and vegetable estimates and reports ..	562,701	642,300	+155,400	797,700
(3) Livestock and poultry estimates and reports ..	1,010,368	1,037,600	+68,600	1,106,200
(4) Dairy estimates and reports	433,409	473,500	+7,900	481,400
(5) Agricultural price estimates and reports ..	636,982	686,500	- -	686,500
(6) Farm surveys and employment estimates and reports	82,746	85,000	+50,000	135,000
(7) Gold storage reports..	58,361	74,000	+37,000	111,000
Total, Crop and livestock estimates	4,025,255	4,493,900	+540,000(3)	5,033,900
Total, Marketing research and agricultural estimates	10,128,983	11,657,630	+1,907,370	13,565,000

(Continued on next page)

Project	1955	1956 (estimated)	Increases or Decreases	1957 (estimated)
1. Marketing services:				
a. Market news service:				
(1) Cotton and cottonseed	362,932:	381,200:	- -	381,200
(2) Dairy and poultry products	672,539:	735,450:	+30,625	766,075
(3) Fruits and vegetables	1,021,560:	1,168,850:	+51,875	1,220,725
(4) Grain, hay, feed, etc.	177,718:	208,800:	+6,990	215,790
(5) Leased wire service	279,556:	296,500:	+14,565	311,065
(6) Livestock, meats and wool	887,033:	966,800:	- -	966,800
(7) Naval stores	23,479:	25,450:	- -	25,450
(8) Tobacco	180,948:	192,560:	- -	192,560
Total, Market news service	3,605,765:	3,975,610:	+104,055(4):	4,079,665
b. Inspection, grading and classing and standardization:				
(1) Cotton and cottonseed	2,212,433:	2,395,100:	-45,565	2,349,535
(2) Dairy products	40,650:	26,200:	- -	26,200
(3) Poultry products	228,620:	336,800:	- -	336,800
(4) Fruits and vegetables	576,718:	571,700:	- -	571,700
(5) Grain (U.S. Grain Standards Act)	1,561,470:	1,648,500:	+46,500	1,695,000
(6) Livestock, meats and wool	178,334:	121,300:	- -	121,300
(7) Naval stores	34,988:	38,200:	- -	38,200
(8) Rice, hay, beans, etc.	48,029:	41,100:	- -	41,100
(9) Tobacco	1,550,192:	1,628,700:	+35,100	1,663,800
Total, Inspection, grading and classing and standardization	6,431,434:	6,807,600:	+36,035(5):	6,843,635
c. Freight rate services	158,247:	170,100:	- -	170,100
d. Regulatory activities:				
(1) Federal Seed Act	235,319:	255,200:	- -	255,200
(2) Naval stores and tobacco export permits	9,224:	9,800:	- -	9,800
(3) Packers and Stockyards Act	625,031:	669,700:	+106,000	775,700
(4) Standard Container Acts	11,900:	12,500:	- -	12,500
(5) Warehouse Act	634,246:	721,000:	+41,800	762,800
Total, Regulatory activities	1,515,720:	1,668,200:	+147,800(6):	1,816,000

(Continued on next page)

Project	1955	1956 (estimated)	Increases or Decreases	1957 (estimated)
e. <u>Administration and coordination of State payments</u>	35,985	53,000	- -	53,000
f. <u>Special mobilization planning</u>	- -	- -	+53,600(7)	53,600
Total, Marketing services	11,747,151	12,674,510	+341,490	13,016,000
Unobligated balance ..	149,784	- -	- -	- -
Total pay act costs (P.L. 94)	[558,368]	[1,305,000]	[+125,460]	[+1,430,460]
Total available or estimate	22,025,918	24,332,140	+2,248,860	26,581,000
Transfer in 1956 estimates to and from other accounts	-8,327	- -		
Transferred from "Removal of surplus agricultural commodities"	-245,201	-43,000		
Transfers in 1957 estimates to "Salaries and expenses: Office of the Secretary of Agriculture"	+18,110	+21,860		
Proposed supplemental due to pay increases	- -	-1,305,000		
Total appropriation or estimate	21,790,500	23,006,000		

INCREASES AND DECREASES

A net increase of \$1,907,370 under the subappropriation "Marketing Research and Agricultural Estimates" composed of:

(1) An increase of \$1,217,000 under the project "Marketing Research" for additional marketing research directed toward development of expanded markets for agricultural products, reduction of losses from waste and spoilage, and reduction of marketing costs through improved marketing efficiency and organization.

Need for Increase: With increases in population at an annual rate of approximately 2-1/2 million persons accompanied by greater concentrations in sub-urban areas, increased employment and productivity, and rises in per capita real income, the trend is toward marketing operations of greater scope and variety. Consumers have indicated their desire and willingness to pay for numerous services, such as prepackaged and frozen foods which were non-existent a decade ago. At present, more workers are engaged in marketing

farm products than in production, with the result that approximately \$1.50 of marketing services are attached to each \$1.00 of farm products moved.

Under these conditions, the challenge to marketing research is to develop the practical answers which will point the way toward efficiencies and opportunities for reducing costs in specific marketing operations and thereby minimize the increase attached to the expanded marketing services. Major emphasis of the research must be directed toward determining: (a) the services which consumers most prefer under various marketing conditions; (b) where the most efficient utilization of resources can be accomplished in rendering essential marketing services; (c) how the various services can be performed with the maximum physiological, pathological, and physical protection of commodities; (d) the equipment, work methods and plant layout which are most efficient in performing the numerous handling operations inherent in supplying marketing services; and (e) the adjustments which must be made in marketing practices and organization in order that the marketing system can meet its responsibility in supplying the services demanded by the consumers as a means of expanding domestic outlets for farm products.

The proposed increase would be applied to new and expanded research in the following areas:

(a) Increase of \$272,000 under the activity "Market development" for research to assist in expanded consumption of agricultural products.

The expansion of markets for new as well as established farm products depends to a great extent on the availability of reliable research data relating to subjects such as (1) consumer use of and preferences for specified commodities; (2) economic factors affecting new, expanded and alternative uses of farm products; (3) effects of merchandising methods and practices on sales of, and consumer demand for, farm products; and (4) national and regional distribution and consumption patterns. With several major commodities in surplus supply, there is an increased demand for expanded market development research to furnish a sound basis for action by processing and distributing firms to expand markets through appropriate merchandising programs and promotional activities. These are intended to alleviate farm surplus problems and increase returns to farmers.

With the proposed increase the market development program would be expanded to include such items as consumer preference studies for citrus and wool products and determination of factors affecting consumption of peanut products at consumer, retail, and manufacturing levels. Studies would be initiated on the market potential of chemically modified or treated cotton and new products made from rice and rice products. Cooperation with regional utilization research branches of the Agricultural Research Service would be expanded under the program of exploring new, expanded, and alternative uses for farm products. A portion of the increase would be used for initiating a study on improved merchandising methods for fluid milk, lamb and mutton and for analyses of family food consumption data for use in distribution programs. Further work would also be undertaken to study more effective means for conducting consumer surveys and other approaches to developing factual data required by industry groups endeavoring to expand markets.

(b) Increase of \$377,000 under the activity "Market organization and costs" for research on marketing practices, channels, and organization, and their impact on costs and efficiency.

The continued cost-price squeeze in agriculture has increased the demand for (1) reliable data on the changes that are occurring in farm-to-retail price spreads, (2) expanded analyses of marketing costs and their relationship to the services performed, (3) cost comparisons and standards of efficiency which will aid farmers and marketing agencies in reducing costs or improving services, and (4) expansion of marketing information and statistics that will assist farmers, marketing agencies, and consumers.

The proposed increase would provide for expansion of research directed toward keeping farmers, market operators, and consumers fully informed on the current marketing situation and identifying areas where follow-up research on engineering and biological problems might be required. Specific studies would include expansion in the measurement of changes in costs and margins in food marketing; development of a continuing series of retail meat prices; expanded studies on the efficiency of peanut marketing; and the extent of shrinkage losses which occur in retailing meat; the impact of frozen food processing on growers' returns; measurement and analysis of costs and margins in marketing textile products; and the adequacy of grades and standards and their relationship to consumers needs and market prices and margins.

New and expanded research relating to marketing practices and organization would include the development of criteria and guides for determining the feasibility of locating agricultural processing and auxiliary marketing agencies in or adjacent to low-income rural areas; analysis of methods to reduce egg marketing costs; determination of interrelationship between changing capital requirements in marketing and marketing practices, channels, organization, and labor costs; expansion of studies on changing patterns of meat distribution as affected by technological and economic developments; price formation in and between livestock markets and trends in seed marketing. Additional emphasis would also be directed toward the development of improved techniques for communicating market information.

(c) Increase of \$352,000 under the activity "Improving and evaluating product quality" to develop methods of evaluating and maintaining product quality and reducing losses from waste and spoilage in marketing channels.

The quality of farm products affects prices, sales, volume of marketings and, finally, the consumer's decision to buy or not to buy a particular product. The farmer is dependent upon having his products presented to consumers in acceptable quality at the points where they buy.

Many of the quality losses in marketing channels are of a biological nature--incipient diseases or infestations that cause decay or other spoilage, chemical and physical changes caused by temperature, humidity, and other factors during handling, transportation and storage, and insect damage, particularly during storage. Significant results of the biological research activities indicates substantial savings can be made through the reduction of such losses. There is a continuing need for expansion of this research in order that proper attention may be focused on the many biological problems inherent in the continuous changes in marketing and production patterns. The proposed increase would provide for some expansion of work in these problem areas.

Increased emphasis would be directed toward research on control of insect infestation of stored products, particularly grains, beans, peas, peanuts, fruits and nuts, tobacco and dairy products. Studies would be initiated on the prevention and control of insects in food processing plants. Expanded efforts would be directed toward prevention of spoilage and loss of quality during handling, transportation, and storage of agricultural products, including (1) time temperature tolerance of fresh fruits and vegetables to environmental conditions, (2) post harvest physiology of fruits and vegetables, (3) improved conditioning and storage of grains, (4) development of improved shipping containers for fruits and vegetables, (5) improved methods for packaging of perishable foods, and (6) procedures for improving the shelf life of tree nuts.

New or expanded research on quality evaluation and development of objective measurements of quality in agricultural products would include development of improved criteria for determining wholesomeness of poultry, mechanization of egg candling and grading operations, improvement in methods for testing germination and quality of seeds, development of methods for objective measurement of quality factors in fresh vegetables, effect of pre-slaughter treatment of animals on meat quality, and factors influencing the quality of pork.

(d) Increase of \$216,000 under the activity "Market transportation and facilities" for the development of efficient facilities for the assembly, processing, transportation, storage, distribution, and handling of agricultural products.

Research previously conducted has revealed many ways to improve the efficiency of marketing and to hold down costs in marketing channels. The results of the work that has been done have increased the demand for technical guidance and assistance in (1) the development of plans for marketing facilities; (2) determining the best methods, equipment, and equipment uses for handling and processing operations; (3) improving transportation facilities, methods, equipment, practices, and operations; and (4) finding improved methods of wholesaling, packaging, and retailing.

To partially meet this need, the proposed increase would provide for expanded physical research on such items as the design and planning of market facilities and on the development of more efficient work methods, equipment, plant lay-out and facilities in frozen food wholesale and retail outlets, citrus packing houses, livestock markets, and small slaughtering plants. Studies would be initiated to obtain data on the volume and nature of commodity transportation in vehicles exempt from Federal regulatory control and the volume of motor truck transportation of grain and its effect on rail and other market facilities. Special emphasis would be directed toward the development of cheaper or improved unit containers for fluid milk, and improved packaging for potatoes. Studies would be expanded on improved efficiency in meat wholesaling and in grocery warehouses, and on reducing livestock losses in transit.

(2) A net increase of \$150,370 under the project "Economic and Statistical Analysis" composed of:

(a) An increase of \$103,370 for statistical analysis, outlook and service work relating to price, supply, and consumption data for agricultural products.

Need for Increase: The statistical analyses, outlook, and service work relating to price, supply, and consumption of agricultural products are the primary basis for the outlook activities of the Federal and State Extension Services and directly or indirectly influence the production and marketing decisions of many thousands of farm operators and agencies engaged in processing, transporting, and distributing farm products. The analyses also are widely used in the development and evaluation of agricultural programs, and in connection with special requests by the Congress for analysis of alternative programs.

With the agricultural situation dominated primarily by the continuing cost-price squeeze, acreage restrictions, surplus disposal, and changing production and marketing patterns, there has been a substantial increase in the need and demand for (1) analyses of the effects of proposed alternative programs on the price, supply, and consumption of the principal farm commodities, (2) more specialized economic and statistical analyses of short run price changes, (3) geographic breakdowns of outlook analyses, (4) supply and demand analyses for agricultural products in or adjacent to low-income rural areas, and (5) expanded research on the development of improved techniques of statistical and economic analysis.

Every effort has been made during recent years to provide more specialized and more frequent economic and statistical analyses within the funds currently available. The workload has now increased to such an extent that additional funds must be made available if farmers, administrators, and legislators are to be kept fully informed concerning current and prospective trends in supplies, consumption and prices of farm products.

Plan of Work. The increase would provide for improved and expanded outlook analyses and appraisals based on sound economic and statistical analysis of the factors affecting price, supply, and demand for farm products, with special emphasis on the economic factors that affect the supply response of farmers for the major crops and the principal livestock items. For cotton, additional attention would also be given to factors affecting demand for particular uses, both at home and, so far as possible, abroad. For livestock and meats, additional efforts would be made to develop price analyses applicable to short-run situations and to specified regions. A portion of the increase would be used to make an appraisal of the short and long-run supply and demand situations in or adjacent to low-income rural areas, with special emphasis on long-run trends in demand affecting the profitability of the production and processing of farm products in such areas. The proposed increase would also provide for expanded research on the development of improved techniques of statistical and economic analysis applicable to various commodity areas, such as factors affecting prices of meat and meat animals, fruits and vegetables and analysis of new data relating to the consumption of tobacco products.

(b) A net decrease of 152,000 composed of:

1. An increase of \$25,000 for expanded analyses of the farm income situation:

Adequate analysis of the current farm income situation is lacking to the extent that sufficient data are not available on the inter-relationships of income between agriculture and industry. There is need to develop and analyze data on this subject to determine how changes in prices and income in one sector affect the other. The increase would provide for the initiation of a study aimed at the development of such data for the benefit of farmers and others concerned with agriculture.

2. A decrease of 177,000 for non-recovery work on the revision and improvement of farmers expenditure estimates.

The 1956 Appropriation Act included an increase of 277,000 for revision and improvement of farmers' expenditure estimates to provide up-to-date expenditure weights for use in calculating the parity index. This increase included funds for conducting surveys to obtain data relating to farmers' production expenditures and farm family living expenditures. The collection of this data will be completed in fiscal year 1956. As the cost of tabulating, analyzing, and possible supplemental checking of these data will be materially lower than the original collection cost, a reduction of 177,000 is recommended.

(c) An increase of 199,000 for studies on underemployed rural manpower, ways of improving occupational skills, mobility and utilization of health facilities, and effects of extension of social security to farmers in low-income areas and for strengthened analyses of manpower and related data.

Need for Increase: Development of special educational, credit, and vocational programs directed toward improvement in the economic conditions of low-income farm families requires a determination and analysis of the factors underlying the problems of these farm families. These problems include inadequate income from marginal farming units, inadequate educational attainments, lack of vocational preparation for non-farm employment, inadequate occupational mobility, and a variety of other economic and social conditions which are accentuated by the high rates of natural increase in the number of persons of working age in contrast with the limited employment opportunities in the low-income areas.

While general data on the factors underlying and accentuating the problems of low-income farm families are available, specific programs to deal with localized problems will necessitate specialized information derived from relatively small scale pilot studies in a limited number of localities.

Adequate analyses of the changing manpower situation are important in planning agricultural production and marketing programs and in providing guidance to farmers in their farm plans. At the present time these analyses--developed from basic data collected by the crop and livestock estimating service--are limited primarily to geographic regions. As a part of the program to progressively improve the agricultural employment statistics program, manpower analyses should be strengthened and expanded as more detailed basic data becomes available by State and type of farm.

Plan of Work: To provide basic data for use by the Department and other Government agencies, three or four field studies in each of the following four lines of work will be initiated in selected low-income areas in cooperation with State agricultural colleges. These lines of work are: (1) development of information on the characteristics of the low-income population, including age, sex, distribution, employment status, and factors restricting occupational adjustments of low-income farm people; to provide essential facts in devising appropriate action programs suited to the experience, needs and qualifications of the people; (2) development of facts for appraising long-range educational and vocational training requirements of the youth of low-income farm families to provide them with knowledge and skills that will fit them for remunerative employment in productive occupations; (3) determination of the status of available medical and health facilities and the extent to which such facilities are utilized by the population involved; and (4) appraisal of the impact on low-income farm families of the extension of Social Security to farmers and farm wage workers for use in developing a program of information and guidance for farm operators. Detailed work plans for the studies will be developed in cooperation with the Bureau of Employment Security, Department of Labor and the Agricultural Research Service. To the extent possible, the Bureau of Employment Security will participate in the field work.

A portion of the increase would be used for expanding analyses of farm manpower and related data with a view to developing adequate analyses of trends in the farm labor supply, number of workers, worker mobility, etc., by State and type of farm. The expanded work would be conducted in close cooperation with the crop and livestock estimating service.

(3) Increase of \$540,000 under "Crop and Livestock Estimates" for expanding and strengthening crop and livestock reporting services.

Need for Increase and Plan of Work: Efficient and orderly adjustments in production and marketing are dependent upon the factual statistical data relating to food and agriculture. The basic purpose of the crop and livestock estimating service is to provide producers and others with information that will enable them to do a better job of planning the production and marketing of the products of the farm. The primary data provided by this service are likewise essential to the analyses upon which any determination of agricultural policy must rest. The fundamental nature of the Crop Reports are extremely significant as guide points to these and a host of related activities--as, for example, manufacturing, transportation, and finance. The increased emphasis in recent years which has been placed upon improved marketing of agricultural products and the adjustment of production to market demands, has greatly increased the demand upon the crop and livestock reporting services for broader coverage and more detailed basic

date as a starting point. Each year the requests are frequent and insistent that means be found to expand the scope of various reports or initiate statistical reporting services for additional important crop and livestock commodities.

Producers' groups, the trade interests most concerned, Research and Marketing Advisory Committees, and members of Congress are among those who repeatedly stress the need for expanded crop and livestock reports. The Senate Committee, in its report on the 1956 budget, specifically requested the Department to present a comprehensive program for additional potato statistics to assist in developing sound production and marketing plans. The Research and Marketing Advisory Committees have also urgently pointed out specific commodities or subjects for which basic statistics and services are greatly needed, or where present reports should be broadened to furnish desired facts as soon as possible. Defense planning has also created new needs for which the existing program does not provide.

Expanded studies to improve crop and livestock estimating service(+ \$300,000)

Studies conducted in 10 Southern States during the past three years on a sampling basis have progressed sufficiently to warrant the testing of some of the more promising methods and techniques on an experimental operating basis. The increase would be used to expand the program in these States and incorporate some of the improved methods and techniques into the regular reporting service on a minimum operating basis for acreage of crops and livestock numbers and objective measurements for such items as cotton, corn, and wheat with experimental work on soybeans and tobacco.

Studies aimed at improving field crop reporting and particularly the reporting on major types of livestock would be intensified in the Corn Belt and expanded into the Great Plains area. This work would be similar to that carried on in the 10 Southern States and would provide for enumeration of acreage of crops and livestock numbers in sample areas in about 500 counties. The work of objective yields of crops and surveys on harvested production of fall-harvested crops would also be expended. Considerable interest has been manifest in other areas on the progress that has been made to date in utilizing objective measurement material on corn and wheat. This work would be extended into the major corn-wheat producing areas. The extension of the program is particularly significant at this time in view of the emphasis that is being placed upon the development of an over-all agricultural program for the North Central and Great Plains States.

In the Corn Belt special emphasis would be directed toward the development of methods for measuring the quality of the corn crop. For several years there have been repeated requests for information that would furnish some tangible measure of the quality of the current corn crop in the Corn Belt. It is proposed to expand the objective measurement work during the 1956 crop year (fiscal year 1957). Field observations will be made three times during the season, probably just prior to September 1, October 1, and November 1, to determine (a) ear counts and size measurements, (b) stage of maturity, and (c) moisture

content. Observations on (a) shelling percentage, (b) weight per measured bushel, and (c) yield per acre in terms of a standard moisture content of about 15.5 percent will be obtained just prior to November 1 or earlier, depending upon the time of maturity of the crop in any sample field. Post-harvest gleaning data to estimate harvesting losses will be obtained on at least a subsample of fields later in the year. It is estimated that a sample of this size and scope will provide sufficient data on which to base a report for the Corn Belt (12 States) as a whole. It would not, however, be large enough to provide estimates by States.

Improvement of farm employment statistics and related data (+50,000).

Farm employment and labor input are important factors in the production and cost of producing farm commodities. Adequate farm labor data are important in planning agricultural production and marketing programs and in providing guidance to farmers in their farm plans. To be most useful in the current agricultural situation such data need to be available on geographic and type of farm breakdowns.

The Agricultural employment statistics program of the Agricultural Marketing Service is presently limited to a regular series of monthly estimates of farm employment by geographic regions. These estimates, in turn, serve as basic data for use in developing and analyzing trends in the farm labor supply and number of workers, worker mobility, etc.

The need for improving the farm labor statistics, presently collected through the Crop and Livestock Estimating Service, has been recognized both in and outside the Department of Agriculture. The need for such improvement and for expansion of the usefulness of the data has also been indicated in Departmental testimony before the Economic Statistics Subcommittee of the Congressional Joint Committee on the Economic Report at hearings in November 1955. The need for improvement in the adequacy and reliability of the farm employment statistics and the lack of statistics on farm employment by States as a major gap in the information has been repeatedly stressed. An experimental program to develop agricultural employment statistics by States, to obtain information on labor input and to permit subgroupings by type of farm and other pertinent characteristics needs to be undertaken.

It is proposed to initiate in two or three States during fiscal year 1957 a research and experimental program for developing techniques and procedures for the periodic collection of statistics that would permit reliable State estimates on the number of people working on farms, the composition of this work force, and the type of farms on which they are employed. On the basis of this pilot program, an economical operating program could be planned as a basis for expanding progressively with a view to developing an adequate program of State estimates for the entire country.

Expanded reporting services for potatoes to provide basic data for developing production and marketing plans. (+\$101,000). At the present time, total potato crop estimates are on a State basis, with the estimates for each State classified into Early, Intermediate, and Late Groups. Separate estimates of the Summer crop for 8 Late States--California, Colorado, Idaho, Washington, Oregon, Minnesota, Wisconsin, and Michigan--were published beginning with the 1955 season. Also as a part of the established program, a report is regularly issued in January, indicating the merchantable stocks of potatoes on hand as of January 1. In response to the request of the Senate Appropriations Committee in its report on the Department's 1956 Appropriation Bill, and urgent demands from trade groups, producers, and distributors, the program would be expanded to include complete coverage of the summer crop in Late States and otherwise improve the program.

Estimates of the Summer crop would be extended to the remaining 8 States that produce summer potatoes--New York, Massachusetts, Rhode Island, Pennsylvania, Ohio, Indiana, Illinois, and New Mexico--so that complete coverage would be available for Late Summer and Fall (storage crop) production. In addition, estimates of the total crop for the Early and Intermediate States would be improved to provide separate estimates for the Winter, Early Spring, Late Spring and Early Summer. Concurrent attention would be directed to developing adequate data and reports on potato prices adapted to the revised seasonal groupings. Reports would be issued seasonally to give a continuing picture of prospective production in advance of the movement of the crop.

The program of potato stocks reports would be expanded to provide a series of four successive monthly reports. In addition to the present report as of January 1, reports would be issued indicating merchantable stocks of potatoes on hand as of December 1, February 1, and March 1, to provide an adequate running record of the rate of disappearance of late-crop storage potatoes.

Annual estimates on acreage, production, and value of sales for selected horticultural specialties (+\$36,000). Expansion and rapid changes in the florist and nursery industries in recent years have emphasized the need for a reporting service for horticultural specialties. There has been exceptional increases in the production of many items over the past few years, accompanied by a downward trend in prices. The total value of horticultural specialties, according to census figures for 1949, amounted to 392 million dollars and accounted for 1.8 percent of all farm sales. This compares with 0.6 percent of farm sales of forest products, 3.6 percent for fruits and nuts. Progress made in developing new varieties, better disease and pest controls, improvement in production methods, faster and more efficient transportation, and the growth of important new production areas, have all contributed to the more complicated marketing situation now experienced.

A reporting service would be established to provide annual factual data on production of the more important items or groupings of products, to assist florists and nurserymen to keep abreast of trends, and enable them to make more orderly plans for marketing and distribution. To provide minimum reporting services that florists and nurserymen feel they should have to guide this action, an annual report would be initiated on acreage, production, and value of sales for selected horticultural specialties, including four major kinds of cut flowers (carnations, chrysanthemums, roses, gladiolas) and five groups of nursery products, such as evergreens, shade trees, roses, shrubs, and fruit trees.

Reports on food stocks of perishables and semi-perishables in refrigerated warehouses. (+\$37,000). The importance of more complete data for evaluating national food stocks of agricultural perishables and semi-perishables in refrigerated warehouses emphasizes the need for expanding and improving the content of Cold Storage Reports to assist in efficient and orderly marketing. The details of these reports have an important bearing also upon defense food planning. The value of current cold storage information depends to a great extent upon its timeliness and accuracy.

To improve the usefulness of the Cold Storage Reports it is proposed to expand them to include new series such as (1) a 5-way breakdown of turkey stocks; (2) package-size distribution of frozen fruits and vegetables; (3) accounting for pork stocks according to primal cuts; and (4) more extensive reports of stocks totals by States. To improve the accuracy of the reports, more time and attention would be directed toward solving problems of under-reporting and other weaknesses in some of the commodity series, improving the promptness of responses from reporters, and earlier release of the information.

Quarterly pig reports. (+\$16,000). During the past two years an increasing number of Corn Belt States have expanded their cooperative programs to provide a quarterly series of reports on the pig crop, fitting in with the established semi-annual reports of the Department.

The quarterly pig crop reports are State-sponsored and conducted as part of the State cooperators' work program in Ohio, Indiana, Illinois, Wisconsin, Minnesota, Iowa, Missouri, South Dakota, and Kansas. These State reports have proved of great value to all segments of the industry but the Department finds it impossible to adequately meet its responsibilities to the cooperating States by providing essential coordination of the several States reports. The north central group of the National Association of State Commissioners, Secretaries, and Directors of Agriculture, have emphasized that such coordination is essential.

To attain the advantages of simultaneous releases, it is proposed to issue a single quarterly pig report for the 9 States involved. This will require analysis and review of the State reports each quarter, as well as preparation and issuance of the joint report. In addition, the State reports would be properly integrated with the regular semi-annual pig crop reports and the January 1 inventory reports for all States.

A net increase of \$341,490 under the subappropriation "Marketing Services" composed of:

(4) Increase of \$104,055 under the project "Market News Service" for expanding and improving the service by placing on a service basis the Poultry Slaughter Report which has been issued on a pilot basis during the past two years; extending and strengthening the report on truck receipts of fresh fruits and vegetables; and strengthening and improving the over-all market news service and facilities.

Need for Increase: The increase requested is needed to further carry out portions of the Program for Development of the Market News Service which was approved by both Congressional Appropriations Committees in 1951.

Reliable current market information is essential to effective, orderly marketing of farm products. Market news gathered and reported by the Department is disseminated through daily newspapers, mimeographed reports, radio and television; and marketing plans of growers, sellers and buyers of farm products in every State are affected by these market reports.

Market news can continue to be accurate and most useful only if adequate coverage is provided and timely reports issued. The service must keep pace with changes in marketing patterns, in market centers, and in methods of transporting, handling and merchandising farm products. The Market News Development Program contemplates expansion, extension and adaptation of the service to meet changing conditions and to serve current needs.

The need and plan of work for the major categories of the program for which an increase is requested are outlined below.

(a) To place the Weekly Commercial Poultry Slaughter Report on a Service basis (+\$30,625).

Growing Poultry Industry Needs Accurate Market Data. The growth of the poultry industry in recent years has created a pressing demand for complete and comprehensive market reports on this commodity. At the request of the Poultry Industry Advisory Committee, a research project was undertaken in 1953 to develop a suitable sample for a weekly report on commercial poultry slaughter. This project is being completed in the 1956 fiscal year and the increase in appropriation under the market news project is requested to finance the work on a permanent service basis.

Plan of Work: Desired data on poultry slaughtered will be obtained weekly by mail or telephone from processing plants included in the sample developed under the research project. These data will be tabulated, summarized and analyzed for use in preparing a poultry slaughter report for weekly publication. The report will encompass commercial poultry slaughter for the entire United States.

Distribution will be made to a mailing list made up of persons who have specifically requested the report, to newspapers and to other disseminating outlets.

(b) To further expand coverage of truck movement of fresh fruits and vegetables (+\$51,875).

Truck Receipts at Additional Cities Needed for More Accurate and Dependable Reports. A principal weakness in market news on movements of fresh fruits and vegetables is the inadequacy of coverage on truck movements. Over 50 percent of the volume of fruits and vegetables transported in this country is now moved by truck. During the calendar year 1954, a total of 696,177 cars of fresh fruits and vegetables moved by rail. On the basis of reported data now available on truck movement, it is estimated that 750,000 carlot equivalents moved by truck in 1954. For example, the State of Florida reports almost 70% truck movement; New York, New Jersey, and Pennsylvania,

close to 100%; over 90% of North Carolina's potatoes are shipped by truck. About 93% of the produce received at Los Angeles, 82% of that received at San Francisco and 39% of New York City's receipts arrive by truck. The need for expanded coverage in this field has been recognized and first remedial steps have been taken.

Truck receipt data are now being collected and disseminated on 31 important terminal markets. Eleven of these cities were added in 1956 with increased funds provided in the Appropriation Act for 1956. However, with a continuing large volume of fruits and vegetables moving by truck each year, the need to report such movement at additional cities becomes more urgent. Ultimately the report should reflect truck and rail receipts at approximately 75 terminal markets.

The daily release initiated in the 1956 fiscal year carrying rail and truck receipts is, as yet, of limited value because it covers only 31 cities and provides inadequate coverage of total truck volume. To be of real value to growers, shippers and buyers any quantitative report must carry data from a large enough number of representative markets to provide adequate comparative data as well as absolute quantitative data.

Plan of Work: Data from eight new markets located at Columbia, S. C., Newark, Memphis, Toledo, Omaha, Syracuse, Miami and Jacksonville would be added to the report. Where possible, cooperative agreements or contracts would be arranged with State or private agencies. In addition, the service now conducted at Los Angeles, San Francisco and New York would be strengthened by increasing the staff of Federal market news reporters at those points.

(c) To Improve the Over-all Service Via the Leased Wire System and Strengthen Grain Reporting (+\$21,555).

Higher Speed of Transmission Needed on Central Circuit. Addition of new services in various parts of the country is placing heavier burdens on the leased wire system. Strengthening of this phase of the service is necessary in order to maintain the highest possible degree of efficiency in the reporting.

Some such improvement was made possible by additional funds provided in the 1956 Appropriation Act. The increase in appropriation for improving and strengthening the leased wire service on the Western circuit between Kansas City and San Francisco has been used to increase the speed in transmitting data between those points. Due to the increasing volume of market information being sent, reporting was delayed regularly and some important West Coast livestock data could not be made available to the livestock buyers and sellers in the Central States. The Western Circuit has now been strengthened by the addition of equipment which increases the rate of transmission from 75 words per minute to 100 words per minute.

A similar problem exists on the Central Circuit. This circuit provides the connecting link for the necessary interchange of current data among market news offices throughout the heavy agricultural producing States of the Central Middle West. Additional funds are needed to increase the speed of transmission on this circuit.

Grain Reporting Service Needs Strengthening. At the present time, two important grain milling and shipping centers (Minneapolis and Kansas City) do not have full-time grain market reporters. Receipts of all grains in 1954 (in millions of bushels) at some of the principal terminals were as follows: Minneapolis, 321, Kansas City, 176, Chicago, 192, Duluth, 140, St. Louis, 88, Milwaukee, 45, and Omaha, 65.

Minneapolis is the leading cash grain market for spring and durum wheat, rye, flaxseed and barley. As a leading flour milling center, first in flaxseed crushing and a leader in soybean processing, Minneapolis is the center of a large feed producing area and is near the important feed consuming areas of Minnesota, Wisconsin and Iowa.

Kansas City is in the heart of the winter wheat producing area, is the second city in flour production and leads in feed production. The two cities serve as focal points for federal market news service on grain for midwest area. The data on grain and grain products are gathered and disseminated by employees who are engaged in other AMS grain activities. At different times in the past these offices have had requests for additional marketing information which have been denied due to necessity of spending time on other activities. These requests have been for more specific information on durum wheat, millings, distribution of wheat receipts by protein content and additional information on feedstuffs. The additional funds requested would permit these offices to furnish more complete needed information.

Plan of Work: Higher-speed equipment would be installed, under contract, which would permit the sending of messages over the Central Circuit at the rate of 100 words per minute instead of 75 as at present. This would relieve the congestion now existing on this circuit. The market reporting staff at Minneapolis and at Kansas City would each be increased to a full-time grain reporter.

(5) A net increase of \$36,035 under the project "Inspection, Grading, Classing and Standardization" composed of:

(a) Decrease of \$49,365 due to providing a direct appropriation to the General Services Administration for certain leasing costs previously paid from this appropriation. Certain space assignment and leasing functions of the various Federal agencies were transferred to the General Services Administration under Section 1 of Reorganization Plan No. 18 of 1950. These functions are applicable only to general purpose space that may be occupied in any of 128 metropolitan areas, and includes the acquiring and payment for space in buildings, the assignment and reassignment of such space, and the operation, maintenance, and custody thereof. The decrease of \$49,365 represents the cost of leasing functions which will be assumed by GSA in 1957.

(b) An increase of \$48,000 to strengthen the supervision of grain inspection under the U. S. Grain Standards Act.

Need for Increase: Supervision of Licensed Grain Inspectors Needs Strengthening. The inspection of grain under the U. S. Grain Standards Act is performed by licensed inspectors under the supervision of Federal employees.

This supervision serves to assure better intermarket uniformity in grades and good delivery at ports of grain destined for export. There are now approximately 550 such licensees operating at about 300 inspection points in 38 States. The number of Federal employees engaged in supervising the vast amount of work performed by these licensees falls far short of the need. The amount of grain inspected, the number of licensed grain inspectors, and the number of inspection points have been steadily increasing over the past 10 years. The Federal supervisory force has not been augmented to the extent needed to handle this increased workload. In addition to the supervisory work, Federal supervisors handle appeals from licensees' grades. Appeal inspection work has increased considerably in the past few years due, in great part, to the increase in grain exports and complaints received from foreign importers on the quality of grain shipped. Such exports in 1955 totaled approximately 495 million bushels. This was an increase of 106 million bushels, compared with 1954 exports of approximately 389 million bushels. The outlook for 1956 is for grain exports totaling approximately 600 million bushels and adequate supervision of the inspection of these exports as well as interior shipments is urgently needed to insure that grain shipped is correctly and uniformly graded.

With increased funds made available in 1955, four new sub-offices were established--Des Moines, Iowa; Houston, Texas; Mobile, Alabama; and Norfolk, Virginia. These new services have made possible considerable improvement in the service in those areas. However, further strengthening at other points is urgently needed.

Plan of Work: The present staff of inspection supervisors would be expanded by an additional employee at each of eleven of the existing offices where the need is most acute such as Kansas City, St. Louis, New Orleans, Baltimore, Minneapolis and Toledo. These employees would be available for closer supervision of all grain inspection by licensees including grain for export and they would help relieve the backlog of work on appeal inspections.

(c) An increase of \$37,400 for extension of tobacco inspection to four additional auction markets.

Need for Increase and Plan of Work: Additional Tobacco Auction Markets Designated. During 1955, tobacco auction markets at Alma and Pearson, Georgia and Newport, Tennessee were designated for free and mandatory inspection under the Tobacco Inspection Act. In late May of 1954, High Springs, Florida was so designated. In order to provide the service at these markets in 1956, funds advanced from the Commodity Credit Corporation, as authorized by law, are being utilized to pay expenses. CCC will subsequently be reimbursed through the appropriation "Repayment to Commodity Credit Corporation." However, as inspection will be required on these markets on a regularly recurring seasonal basis, an increase under the appropriation "Marketing Research and Service" is requested for 1957 to cover the permanent, annual costs at these markets. The Department recommends, as a general policy, that the regular appropriation for the tobacco inspection activity be increased as soon as practicable after new markets have been designated for mandatory inspection.

Plan for Change in Financing. The service, now being performed under a temporary financing arrangement, is provided by two to three employees at each of the four locations during the marketing season which extends over a period of approximately 6 months. These employees inspect and grade all tobacco sold on these markets in accordance with the Tobacco Inspection Act and Regulations thereunder. This increase would provide in this appropriation funds for tobacco inspection equivalent to the current cost of providing a minimum service on an annually recurring basis.

(6) Increase of \$147,800 under "Regulatory Activities" to permit more effective administration of the Packers and Stockyards Act and the U. S. Warehouse Act.

Need for Increase: (a) To strengthen administration of the Packers and Stockyards Act (+\$106,000). Livestock Producers Need More Adequate Protection Against Unfair and Fraudulent Marketing Practices. The Packers and Stockyards Act is the livestock producer's principal assurance that he will receive (1) the full market price for his livestock; (2) accurate weights; (3) full bond protection of the proceeds of his sales; (4) adequate marketing facilities and services at reasonable rates; and (5) protection against unfair, deceptive and discriminatory practices at public markets or by meat packers in commerce. The Department has been unable for several years to fully administer this law and extend to eligible auction markets its protection due to increasing costs of operation without any increases, except for increased pay costs, in appropriations to finance them. During the past 5 years, total man-years of employment charged to this activity has diminished from approximately 116 to about 90.

In its report accompanying the Agriculture Appropriation Bill for 1956, the House Subcommittee on Agricultural Appropriations expressed its concern with the administration of the Packers and Stockyards Act. The immediate problem of inequitable treatment between markets in Oklahoma and Texas which had been brought to the Committee's attention arose from the fact that a considerable number of stockyards all over the country are not yet posted as provided by the Act.

The report stated:

"It (the Committee) believes that this matter should be given immediate attention by the Department so that firm recommendations can be submitted to the appropriate committee of Congress to remedy this situation."

The Department recommends that coverage be extended to all eligible yards and that adequate supervision be given all posted yards to assure that an equal degree of marketing protection is provided to producers selling at such yards. Provision of adequate supervision entails frequent examination of operations at the yards including studies of stockyard facilities and services to determine their adequacy and the reasonableness of charges made; investigation of pricing, selling and buying practices; checking of scales and weighing practices; and determining adequacy of bonds to assure the producer protection of the proceeds of his sales. The Department feels that this will eliminate most of the inequities which exist in this field.

As of June 30, 1955 there were 335 markets posted under the Act. It is estimated that there are around 300 additional yards eligible for posting. Under the proposed increase, posting of yards would be done on an area basis, those areas being covered first in which the need is greatest.

It is estimated that a maximum of 75 additional yards could be posted in the first year. Supervision of operations at posted yards will also be stepped up.

(b) To strengthen Federal supervision of licensed warehouses (+\$41,800).

Integrity and Collateral Value of Federal Warehouse Receipt Must be Safeguarded. The primary purpose of the U. S. Warehouse Act is to convert stored agricultural products into sound bankable collateral to facilitate the financing required for the orderly marketing of such products. The issuance of a Federal warehouse receipt under the Act imposes a considerable responsibility upon the Department, most particularly at a time like the present when the estimated value of agricultural commodities stored in Federally-licensed warehouses exceeds 2 billion dollars.

Adequate supervision of licensed facilities by the Department results in correction of improper practices and methods of operation before they can become serious and jeopardize the interests of depositors, creditors, indemnity companies and others. This preventive approach to regulation carried out through a system of comprehensive, unannounced examinations, is the foundation upon which a high degree of confidence in the administration of the program has been created. The number of examinations per warehouse per year has been declining during the past several years. In 1953 an average of 2.4 inspections per warehouse were made. In 1954 this average declined to 1.98 and in 1955 inspections averaged only 1.60 per warehouse. A reversal of this trend is important to the continued safeguarding of the interests of depositors, bankers and others and to the maintenance of confidence in the program.

An increase of \$34,500 was provided in 1956 to strengthen the supervision of warehouses under this Act. With this increase additional warehouse examiners have been employed but it will be difficult to increase the current rate of the examination of warehouses because of the increased licensed capacity and greater volume of stocks on hand in licensed facilities. For example, during the first four months of the fiscal year 1956, grain storage capacity under license increased by more than 47 million bushels and cotton storage capacity under license increased by 200,000 bales.

Plan of Work: The requested increase would provide for stationing of additional warehouse examiners at only 5 locations where the need is the greatest. These examiners would conduct more frequent examinations of licensed facilities thus reducing the possibility of violations of the Act and the Regulations thereunder. The rate of examinations per warehouse could probably be increased to the level of 2.0 per year with this additional staff.

(7) Increase of \$53,600 for "Special Mobilization Planning" to assure a state of readiness for stepped-up or full mobilization in the event of enemy attack.

Need for Increase: AMS Responsible for Certain Defense Mobilization Functions. Responsibility has been vested in the Agricultural Marketing Service to carry out certain of the defense mobilization functions which have been assigned to the Department of Agriculture. These functions include development of standby distribution plans, including allocation, restrictions and similar food orders, the civilian requirements claimancy function, the determination of requirements for nonfood materials and facilities essential to food processing and distribution, the determination of manpower needs for food processing and distribution, development of plans for reducing the vulnerability to attack of certain processing and distribution facilities and the development of plans to assure continuity of essential functions of the agency. This includes periodic testing of preparedness measures to guide future planning.

A limited amount of work in connection with these functions has been performed principally by personnel engaged in regular continuing functions of the service. For example, based on experiences in several test exercises a number of standby food orders have been developed and others are in process. Data on food requirements under the assumption of existence of emergency conditions have been developed to fit into a total supply and requirements study. Also studies have been made of the degree of vulnerability of various segments of the food processing industry so that steps may be taken to reduce such vulnerability where desirable and feasible.

A great deal of additional work is needed to carry on these and other projects in order to enable the Department to deal appropriately with all of the food problems which would or might exist in a period of full mobilization. Additional funds are needed to provide for the effective guidance and direction of this work, to coordinate planning activities among various organizational units of the Agricultural Marketing Service and between the service and other agencies of the Department and other Departments of Government, and to assure that the records necessary to assure continuity of the Department's functions in an emergency are assembled and placed at appropriate locations.

Plan of Work: Since much of the planning work is carried out on a decentralized basis throughout the Agricultural Marketing Service by personnel engaged in related activities, effective direction and coordination of their efforts is essential. Personnel would be assigned at focal points to guide, direct and coordinate program and continuity of Government planning and to carry out planning activities not elsewhere assigned. This central staff would also provide coordination with other agencies of the Department and other Departments of Government.

CHANGE IN LANGUAGE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

**** Marketing research and agricultural estimates: For research and development relating to agricultural marketing and distribution, for analyses relating to farm prices, income and population, and demand for farm products, and for crop and livestock estimates; [\$11,046,000] \$12,552,000: [Provided, That not less than \$250,000 of the funds contained in this appropriation shall be available to gather statistics and conduct a special study on the price spread between the farmer and the consumer:] ****

The change in language proposes to delete the proviso relating to a study of the cost-price spread between the farmer and the consumer, which was inserted in the 1956 Appropriation Act. This work is being expanded as a part of the regular marketing research program. The proviso requires the maintenance of separate accounting records and since funds devoted to studies of the price spread in 1957 will be in excess of the amount specified in the proviso, this language no longer serves any useful purpose. Its deletion will simplify accounting and reporting procedures, but the Department will, with the increased funds proposed in these estimates, provide in 1957 for this work on a larger scale than in 1956.

STATUS OF PROGRAM

The work under this appropriation consists of research and service to improve and develop the marketing and distribution of agricultural commodities. The functions are divided into two subappropriations as follows:

1. Marketing Research and Agricultural Estimates
2. Marketing Services

Each subappropriation is further divided into financial projects. Current activities, progress, and current programs under each project are outlined below.

MARKETING RESEARCH AND AGRICULTURAL ESTIMATES

I. Marketing Research

Current Activities:

Marketing Research provides for the study and investigation of (a) the uses and market acceptance of new and established agricultural products, techniques for analyzing consumer market behavior, market potentials, and methods of merchandising; (b) trade in specific agricultural commodities, including measurements of costs and margins, market organization and practices, and improvement in market information; (c) the biological, physical and economic aspects of measuring, maintaining, and improving product quality; and (d) transportation rates and costs, and marketing facilities, equipment and handling methods. The research, involving cooperation with other public and private agencies, is designed to benefit all of the major agricultural commodity groups and as many of the other commodities as possible, and to provide research at each stage of marketing, such as in assembly points, terminal or central markets, wholesale and retail markets.

Changing marketing problems of a wide variety and scope continue to develop in response to a trend of rising population, employment, productivity, per capita real income, and expanding marketing services. This required that the marketing research activities move ahead on a wide front during the past year with the development of reliable research information aimed at improvements in the efficiency of marketing processes, marketing methods, transportation, storage, marketing facilities and equipment.

Substantial progress in marketing research was made during the year and market operators, farmers, consumers, Government officials, and other private and public agencies were provided with significant data for evaluating and determining the effect of the continuous changes that are occurring in marketing methods and practices. During the year approximately 63 lines of work were completed or discontinued. During the same period work was started on approximately 96 new lines of work.

The results of this research, in many cases, could be measured in terms of significant savings through:

- (1) reduced product losses from waste and spoilage such as those resulting from the modified icing services developed for shipment of Bartlett pears.
- (2) reduced transportation costs such as the potential \$3,000,000 annual saving from changes developed in refrigeration methods and packaging of carrots.
- (3) reduced labor costs such as the 13% saving of manhours resulting from more efficient operating methods developed for retailing meat and the 6% saving of manhours resulting from improved equipment developed for handling cotton bales.
- (4) reduced penalties to growers for variations in weights of cotton bales resulting from dissemination of data developed on the extent and magnitude of such penalties.

In other cases, the research results do not lend themselves to measurement in direct monetary terms. Phases of the work, such as studies on the market potentials for new and established products, measurement of costs and margins, and marketing trends, provided the industry and others with valuable information for use in developing marketing programs and solving merchandising problems. Among these were new data on consumer preferences and market potentials for certain dairy products, fats and oils, and fruit products and progress in obtaining on a continuing basis more precise price data for the major marketing stages.

Several urgent or emergent problems involving the marketing and distribution of farm products necessitated some alteration of the planned program during the year. These special problems related to research on methods of control and eradication of the Khapra beetle, grain sanitation, storage of dried milk, milled rice, and farmer's stock peanuts, prevention of decay and damage to citrus during transit to Europe, effect of atomic irradiation on packaged foods, marketing facilities requirements for Philadelphia, Pennsylvania, and fumigation of raw raisin stocks in storage.

Selected Examples of Recent Progress:

1. Household consumer data obtained for specified dairy products and margarine. The continuation of cooperative work initiated in 1954 to obtain household consumer data for certain dairy products and margarine is providing the dairy industry and the Department, on a current basis, with indications on the movement of specified dairy products and margarine to consumers, and the relationship of these household purchase rates to retail outlets, geographic areas, size of community, and family characteristics. This information is of direct aid to the industry in solving merchandising problems and in developing advertising and other promotional programs.

2. Market potential and profitable production factors determined for wool grease. The first comprehensive study of wool grease recovery and use has provided the wool scouring and wool grease refining and using industries with reliable information on the market potential of their products in various fields. In addition to providing the average unit cost of scouring and recovering wool grease, the results of the study showed that production of wool depends upon mill consumption of apparel wool rather than upon demand for wool grease; emulsion scouring is the most economic method at present; and it does not pay to recover wool grease in small mills.
3. Distributors of fresh and processed fruit products base price and volume decisions on consumer demand. A survey of consumer purchases of fresh and processed fruit products in relation to consumer characteristics, types of retail outlets, geographic regions, and other marketing factors has provided useful data to the entire distribution trade in making price and volume decisions through adjustment of policies based on better knowledge of consumer demand.
4. More precise price data provides better measurement of marketing margins. One of the major difficulties in measuring marketing margins and changes in margins has been the lack of sufficiently precise price data for the several major stages of marketing on a continuing basis. Substantial progress in overcoming this difficulty was made possible through arrangements with the Bureau of Labor Statistics and the Market News Service to expand their collection of prices for about 20 commodities. In addition, five major food organizations are providing weekly or monthly data showing retail prices for all kinds and cuts of meat which they sell. This additional information will enable the more regular appraisal of changes in prices at shipping points, wholesale and retail levels, and changes in margins between the various levels.
5. Wide variations revealed in methods employed in utilization and disposal of poultry by-products. A national study of more than 300 poultry slaughter plants has provided data which may enable some plants to convert net losses to net gains by changing methods employed in the utilization and disposal of poultry by-products. The study revealed wide variations in the methods employed in this operation.
6. Regulations affecting movement and merchandising of milk tend to increase prices. A study of sanitary, trucking and governmental control regulations affecting the movement and merchandising of milk showed that prices were raised unduly in about one-fourth of the cities in the U. S., that they might decline as much as 75 cents to one dollar if undue impediments to the movement of milk were removed, and that increases in consumption and intermarket movement of milk would be small.

7. Marketing information and statistics of major importance published regularly. The regular issuance of "The Marketing and Transportation Situation" provided marketing information and statistics of major importance to agriculture and the public, including special articles on new marketing practices that reduce costs, the trend toward larger scale of operation in marketing firms, changes in methods of buying and selling farm products, expansion of domestic markets, and marketing margins for dairy products, poultry and eggs, beef and pork, fruits and vegetables, and white bread. The reports indicated that the retail cost of the market basket of farm foods bought by the average city family declined from an annual rate of \$992 in the first half of 1954 to \$975 in the first half of 1955. During this same period, charges for marketing these foods increased from an annual rate of \$554 to \$567, while the amount received by farmers declined.
8. Use of bulk farm tanks for handling milk increases 200 to 300 percent. A study of industry practices and trends in bulk handling of milk shows that the number of farmers using bulk farm tanks has increased 200 to 300 percent in the past two years. The number of plants which are converting to bulk handling of milk is also increasing rapidly. The study indicates that transportation costs on a typical midwestern route can be reduced six cents per hundredweight of milk by using every-other-day bulk hauling service instead of daily can hauling service.
9. Reporting system developed for frozen food movements into retail outlets. Studies on the movement of frozen foods provided much needed information on the marketing problems in this expanding industry and the continuing adjustments which are taking place in the marketing of foods in fresh, canned, and frozen form. A significant accomplishment under these studies was the development of a reporting system for frozen food movement into retail outlets which could be continued under industry sponsorship.
10. Variations in weights of cotton bales reduce returns to growers. An analysis of variations in the weights of cotton bales during the 1953-54 season, and the extent to which growers were subject to penalty on account of lightweight and overweight bales, indicated that approximately 29 percent of the 1953 crop fell outside the desirable range of from 451 to 550 pounds per bale, and about 6 percent of the bales were subject to specific or contingent penalties. The penalties for the most part ranged from 2 to 20 pounds per bale in terms of weight and up to \$7.50 per bale on a dollar and cents basis. The results of this study were used by industry groups and extension workers in educational programs to reduce the number of bales subject to penalties and thereby increase returns to growers.
11. Reduced transportation costs and better quality fruit result from modified icing services for Bartlett pears. Modified icing services for California Bartlett pears, which were developed and used quite generally during the 1954 season permitted savings of approximately \$40 to \$60 per car, or an annual saving of about \$200,000, in transportation costs, and also produced better quality fruit at the terminal market. By using less ice the ripening process started in

transit and as a result the pears ripened faster after arrival at the terminal market. Based on favorable reports on the good quality of the pears shipped under this method, demand for the fruit should be stimulated.

12. Potential savings of \$3,000,000 annually made possible through improved refrigeration methods and packaging of carrots. As a result of cooperative research with industry, there has been an almost complete change in refrigeration methods and packaging of carrots during the past two or three years. Polyethylene bags of tapered carrots have been customarily shipped in wirebound crates and refrigerated in the car with both top ice and bunker ice. Under the new methods the carrots are now hydrocooled before packaging in polyethylene bags and packing in inexpensive multiwall paper-bag master containers. Potential savings in refrigeration costs through elimination of top ice and freight costs, because of the lighter paper container amount to about \$150 per car or \$3,000,000 annually.
13. Use of mechanical aeration systems to circulate fumigants through stored grain reduces costs and attains higher degree of insect control. Recent tests have demonstrated that fumigants can be uniformly distributed through stored grain by adapting mechanical aeration systems to recirculate the fumigant. This method reduces costs and permits the use of fumigants previously not widely used for bulk grain, greater safety since the grain is fumigated and aerated in a closed system as part of the treatment, a higher degree of insect control, complete removal of the fumigant when the treatment is completed, and faster operation since the whole procedure can be completed in from 24 to 30 hours. This method is now being used for all CCC-owned grain stored in ships holds equipped with aeration systems, at a savings of about 50 percent, and has been approved under the Khapra beetle quarantine as a means of obtaining complete kill of all insects in bulk commodities.
14. Improved methods developed for chilling and freezing packaged poultry. A simple, one-step method for chilling and freezing packaged, ready-to-cook poultry on a continuous line basis was developed during the past year. Known as "liquid immersion" cooling, the process consists of chilling or freezing hot eviscerated poultry in a liquid held at temperatures below freezing, and is up to 12 times faster than some of the currently used methods for freezing poultry.
15. Improved operating methods and equipment developed for service-type meat departments. Retail food stores having service-type meat departments can materially reduce labor and wrapping material costs by using improved operating methods and equipment developed through USDA research. Tests of these improvements in the customer service-type meat departments resulted in a 13 percent saving of man-hours. Labor requirements were reduced by 4.3 man-hours and wrapping costs were reduced by \$2.30 for each 1,000 packages. The transfer of cut-up fryers and ground beef from a service to a self-service operation increased production in their preparation and sale of 37.7 percent and reduced combined labor and materials costs by \$16.30 per 1,000 packages.

16. Improved work methods and equipment would result in substantial savings in handling cotton. A recent study of the comparative efficiency of current work methods and equipment used in handling cotton in compresses and warehouses indicates that substantial savings can be made in these operations. For example, man-hour requirements can be reduced by 60 percent by using a 2-bale clamp truck instead of the conventional hand-truck system for unloading and transporting flat cotton to storage. By using a relatively new break-out attachment, mounted on a lift truck, the man-hour requirements for breaking out flat bales from a commonly employed stacking arrangement can be reduced by 90 percent from those of a widely used manual method.
17. Assistance provided in planning and constructing improved market facilities. During the year several localities were assisted in planning and constructing improved market facilities. New wholesale produce markets were completed and placed into operation in Houston, Texas, Jacksonville, Texas, and Indianapolis, Indiana. New markets were under construction in Louisville, Kentucky, Raleigh, North Carolina, and Rochester, New York. Plans were also completed for a new wholesale food center in Birmingham where foods of all types will be handled at wholesale.
18. Major causes of livestock losses in transit. A study of livestock losses in transit has provided information on the major factors which influence the loss of animals in transit. It was found that the rates of crippling and death are directly related to length-of-haul, climatic conditions, and to certain special factors inherent in the assembly, transportation, and loading processes. The data developed under this study is being used as a basis for a suggested remedial program which can be readily adapted by producers, transporters, and market operators in reducing such losses.

II. Economic and Statistical Analysis

Current Activities:

This project covers the gathering, analysis, and interpretation of information on agriculture as a whole and for specific items including many statistical series relating to farm income, prices, population and labor, and agricultural situation reports for important crop and livestock products. The major objective of the work is to keep farmers and others concerned with agriculture fully informed on both the present and prospective agricultural situation through regular reports and special analyses for specified commodities and geographic areas.

Selected Examples of Recent Progress:

1. Commodity outlook work intensified for many commodities. Continued declines in prices received by farmers for many important commodities created more intensive activity in the commodity outlook field during the past year including an increase in requests for presentation of commodity outlook analyses to farm and industry groups. The work was particularly intensified in a number of areas, notably dairy products,

poultry and eggs, feeds and tobacco. Special emphasis has been centered on various aspects of the continuing surplus of dairy products, including the effect of price adjustments on production and utilization of milk, and effect of various disposal programs on present and prospective stocks, and alternative programs which might be used to improve the balance between production and use of dairy products. Uncertainty as to the course of prices of eggs, broilers, and turkeys has required particular attention to unusual factors affecting the prices of these commodities. In feeds, attention has been focused on the outlook implications of large acreages of feed crops, increasing stocks under the price support program, and declining prices. The tobacco situation has required more intensive analysis in view of the publicity given to the effects of cigarette smoking on health and the development of homogenized leaf. Special attention has been given to analysis of indicators of tobacco consumption to determine the significance of the downtrend that began in 1953.

2. Prices for meat animals fluctuate with considerable regularity. The variability of prices received by farmers for meat animals arises to a great extent from seasonal fluctuations which occur with considerable regularity year after year. These movements in prices grow out of a natural seasonal pattern of births, grazing, and marketing. A handbook entitled "Charting the Seasonal Market for Meat Animals", describing the most common seasonal patterns in the production, marketing, and prices, for both meat animals and meat, provides a helpful guide to producers who must continually plan present production for sale in the future. A special section of the handbook indicates how livestock producers can take advantage of both the regularity of trends and the development of unusual price movements.
3. New index numbers of supply-utilization of farm commodities completed. A study completed during the past year has provided new index numbers on supplies (production, imports, and changes in stocks), movement of the supplies into domestic food consumption, domestic nonfood use, exports, and shipments, and military takings of food for the period 1924-55. The study shows that from 1924 to 1954, domestic production supplied from 90 to 95 percent of the total annual flow of farm commodities into utilization and imports provided from 5 to 10 percent. During this same period, domestic use accounted for 90 to 97 percent of the total flow in each year and exports accounted for 3 to 10 percent. The new index numbers are being published in Agriculture Handbook No. 91, "Measuring the Supply and Utilization of Farm Commodities--New Index, 1924-55."
4. Estimated cash receipts from farm marketings decline in first 9 months of 1955. Cash receipts from farm marketings in the first three quarters of 1955 are estimated at 19.7 billion dollars, 4 percent less than in the same period of 1954. Farm prices for the 9-month period averaged 4 percent below the same period last year. Despite acreage restrictions on several important crops, the total volume of farm marketings so far in 1955 has not been much different from 1954. With prices paid by farmers for production items, including interest, taxes, and wage rates, averaging about the same as in 1954, total farm production expenses in 1955 may not be much different than last year. Farm operators' realized net income may be 10 percent lower in 1955 than in 1954.

5. State estimates of production expenses and net farm income improved. With the cost-price squeeze in agriculture continuing into its fifth year, major emphasis was directed during the past year toward general improvement of estimates of farm production expenses and development of more reliable estimates of gross farm income, production expenses, and net farm income in each State for recent years. Revised and improved estimates of farm income and production expenses for the Nation as a whole were published in the October issue of The Farm Income Situation. New data on the net income of farm operators by States from 1949 to 1954 will be published in December, 1955. These improved estimates will provide valuable data for use in analyzing the reasons for the cost-price squeeze and the localities most seriously affected. Additional up-to-date information on farmers' production costs will be obtained in a survey of farmers' expenditures to be conducted in about 300 farm areas early in calendar year 1956.
6. Demand for farm products maintained at high level, but parity ratio declines. The demand for farm products was maintained at a high level during the first 3 quarters of 1955. Total consumer incomes were some 4 percent above a year earlier and consumer expenditures for food rose proportionately. The value of agricultural exports during the first 8 months of 1955 totaled 9 percent above the same period in 1954. However the heavy supply position in agriculture, and increased marketing costs were reflected in further declines in prices of farm products. The parity ratio in the first 9 months of 1955 averaged 86 compared with 90 in the same period a year ago.
7. Farmers generally favor their coverage under Old Age and Survivors Insurance. An analysis of data obtained from cooperative surveys of farmers retirement plans and their opinions of Old Age and Survivors Insurance showed that a majority of farmers in all of the surveyed areas favor their own coverage under OASI. The studies also showed that many farm operators did not accumulate enough resources to provide an adequate level of living in their old age.

III. Crop and Livestock Estimates

Current Activities:

Basic statistical and economic data relating to food and agriculture are gathered, analyzed and published, including acreages, yields, production, stocks, value and utilization of farm crops; numbers, production, value and utilization of livestock and livestock products; and such related data as prices received and prices paid by farmers. Thousands of farmers, processors, merchants and others serve as volunteer reporters and these reports are supplemented by field observations of the Department's statisticians and other data to provide the many estimates and reports issued for public information. A schedule showing the release dates for the reports to be issued in calendar year 1955 follows.

Day	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	Day	
1	Saturday Holiday	Canned Poultry	Canned Poultry	Canned Poultry	Sunday	Canned Poultry; Wheat, Condensed & Dried Milk	Distillation & Value of Non-Ferrous Pastes; Canned Poultry	Meat Storage and Shavings; Canned Poultry	Meat Stock; Canned Poultry	Saturday	Canned Poultry	Canned Poultry	1	
2	Sunday		Wheat, Condensed & Dried Milk; Meat Production and Income	Saturday	Canned Poultry	Emphasis Put to Milk Cows	Saturday		Saturday	Canned Poultry		Sunday	2	
3				Sunday			Sunday					Sunday	3	
4							Saturday	Independence Day	Stocks of 34 Field Beds; Production of Shorn Wool	Sunday		Sunday	4	
5	Saturday	Saturday		Pure Production & Income from Chick- ens & Eggs, Including Commercial Broiler Production	Pure Production, Disposition and Value of Principal Crops	Sunday			Labor Day	Saturday			5	
6	Sunday	Sunday			Saturday			Saturday		Sat Clover Seed	Sunday		6	
7					Saturday		Kanabuck, Manuregrass Seed	Sunday					7	
8	Saturday				Sunday		Cotton	Cotton	Cotton Alkaline Clover Seed	Saturday	Cotton	Cotton	8	
9	Sunday			Saturday	Cotton	Cotton	Saturday		Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Sunday		Crop Production; Cattle, Vegetables for Fresh Market; Pork Labor	9	
10	Crop Production; Cattle, Vegetables for Fresh Market and Processing	Crop Production; Cattle, Vegetables for Fresh Market; Pork Labor	Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Sunday	Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Sunday	Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Saturday	Cotton		Sunday	10	
11			Young Chickens and Potential Layers on Farms; Early Lamb Crop	Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Development of Early Lamb Crop	Saturday	Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Saturday	Cotton	Crop Production; Cattle, Vegetables for Fresh Market and Processing; Pork Labor	Sunday	11	
12	Pork Labor; Turkey and Chick- ens Tested	Saturday	Saturday	Turkeys and Chick- ens Tested	Turkeys and Chick- ens Tested	Sunday	Hybrid Cows; Turkey and Chick- ens Tested	Production, Disposition A Value of Turkey and Chick- ens Tested	Turkeys and Chick- ens Tested	Turkeys and Chick- ens Tested	Saturday	Turkeys and Chick- ens Tested	12	
13	Sheep and Lambs as Feed; Canned Poultry	Sunday	Sunday		Turkeys and Chick- ens Tested	Saturday	Turkeys and Chick- ens Tested	Saturday	Alkaline Seed; Production, Disposition A Value of Citrus Seeds	Sunday			13	
14	Average Production of Vegetable Seeds; Pure Production & Value of Fruit & Nut Crops; Hatchery; Turkey - Inten- sions to Meat; Gold Storage	Sheep & Value of Lambstock & Poultry on Farms; January 11 Turkey and Chick- ens Tested; Milk Production on Farms & Statistics of Dairy Plant Products	Turkeys and Chick- ens Tested	Pure Production, Disposition and Income from Milk; Cattle on Feed	Saturday		Orchardman, Seed; Cattle on Feed	Sunday	Broomcorn and Grated Wheat- corn Seed	Hatchery; Gold Storage		Turkeys and Chick- ens Tested; Season Average Condition of Dairy Pastures	14	
15	Saturday	Monthly Hatchery; Hatchery Statistics; Child and Poultry Production by Month; Gold Storage	Hatchery; Gold Storage	Intended Average Production of Vegetable Seeds; Hatchery; Gold Storage; Fluid Milk & Cream	Sunday	Hatchery; Gold Storage	Hatchery; Gold Storage	Hatchery; Gold Storage	Swallower Seed; Hatchery; Gold Storage	Saturday	Cold Storage	Hatchery; Gold Storage	15	
16	Sunday	Fluid Milk & Cream	Fluid Milk & Cream	Saturday	Hatchery; Gold Storage; Fluid Milk & Cream	Fluid Milk & Cream	Saturday	Fluid Milk & Cream	Fluid Milk & Cream	Fluid Milk & Cream	Sunday	Seed-Animal Rival Shaver; Landscape Seed; Hatchery; Fluid Milk & Cream	Fluid Milk & Cream	16
17	Fluid Milk & Cream; Cattle on Feed	Calf Crop Report	Intervale Movement of Dairy Cattle	Sunday	Swallower Seed Storage	Swallower Seed Storage	Sunday	Swallower Seed Storage	Saturday	Swallower Seed Storage		Sunday	17	
18	Swallower Seed Storage	Swallower Seed Storage	Swallower Seed Storage	Swallower Seed Storage	Swallower Seed Storage	Swallower Seed Storage	Sunday	Swallower Seed Storage	Saturday	Swallower Seed Storage	Swallower Seed Storage	Sunday	18	
19	Pork Labor; Turkey and Chick- ens Tested	Saturday	Saturday	Cattle, Vegetables for Processing	Sunday								19	
20	Sunday	Sunday		Cattle, Vegetables for Processing; Wholesale Income; Stocks of Wm. & Condensed Milk	Saturday								20	
21	Grain Stocks; Wholesale Income; Stocks of Wm. & Condensed Milk	Grain Stocks		Cattle, Vegetables for Processing; Wholesale Income; Stocks of Wm. & Condensed Milk	Saturday								21	
22	Saturday	Washington's Birthday	Grain Stocks	Sunday	Spring Pig Crop								22	
23	Sunday		Saturday		Lepine Seed	Saturday							23	
24	Peasant Stocks and Processing	Peasant Stocks and Processing	Peasant Stocks and Processing	Sunday	Peasant Stocks and Processing	Sunday							24	
25	Liquid and Dried Milk; Turkey and Chick- ens Tested	Meat Production and Income from Turkey	Liquid and Dried Milk; Turkey and Chick- ens Tested	Peasant Stocks and Processing; Liquid and Dried Milk	Liquid and Dried Milk	Saturday	Peasant Stocks and Processing; Liquid and Dried Milk	Sunday	Liquid and Dried Milk	Sunday	Liquid and Dried Milk	Sunday	25	
26	Cattle and Chick- ens Tested	Saturday	Saturday			Sunday							26	
27	Prices; Soybeans and Flax- seed Stocks	Prices; Soybeans and Flax- seed Stocks	Prices; Soybeans and Flax- seed Stocks	Soybeans and Flax- seed Stocks; Pure Production & Income from Meat Animals	Saturday		Soybeans and Flax- seed Stocks; Pure Production & Income from Meat Animals	Sunday	Prices; Soybeans and Flax- seed Stocks	Sunday	Prices; Soybeans and Flax- seed Stocks	Sunday	27	
28	Saturday		Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday			Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	28	
29	Sunday		Prices	Saturday	Meat Stock	Saturday	Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	29	
30	Meat Stock and Shavings; Cattle, Vegetables for Fresh Market (Imported Stocks); Wheat, Condensed & Dried Milk; Slaughter		Prices	Saturday	Meat Stock	Saturday	Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	Prices; Wheat, Condensed & Dried Milk; Slaughter	Sunday	30	
31													31	



Selected Examples of Recent Progress:

1. Methodology and development studies provide valuable data for improving reporting services. The program for enlarging the fields of study in exploring and developing improvements in crop estimating procedures, which was initiated in fiscal year 1954, was continued during the past year with major emphasis concentrated upon sampling surveys and objective estimating procedures in 10 Southern States. Intensive work on objective field measurements for cotton and corn was continued at the Statistical Laboratories of North Carolina State College and Iowa State College.

The program has yielded data which will be valuable in the improvement of the regular reporting services. For example, the pilot study to test and evaluate procedures for conducting farm surveys by interview and by mail, has disclosed that refined definitions of farm operators and managers of land within a survey area, are necessary to avoid over-reporting. The studies to date on objective field measurements and fruit counts on cotton as of a given date show real possibilities as a new method of estimating and forecasting yields. The studies on estimating and forecasting yields of corn indicate that, unless detailed questions are asked about unplanted areas along field borders, or in roads, ditches, and other areas where no corn is standing, farmers tend to report the gross acreage of the field. The acreage on which corn is actually standing is 2 to 3 percent less than the acreage customarily reported.

2. Cotton acreage and production estimates improved. Estimates of cotton acreage and production have been improved as a result of several changes in the format and content of questionnaires. Individual questions on bales harvested during the past year and expected to be harvested during the current year have been added to questionnaires to provide a direct indication of cotton production independent of the acreage factor.
3. Annual seed summary issued for first time. An annual seed summary was prepared during the year, giving for the first time in one publication, statistical data by States for 27 field seeds for which estimates are made.
4. Special bulletins provide long-time series data for several crops. During the past year a bulletin was published entitled "Pacific Northwest Wheat by Varieties" which included acreage and production by varieties for 1949 and 1954, for Washington, Oregon and 10 counties in northern Idaho. This bulletin provides the first varietal production information on wheat. In order to bring together a long-time series of data on individual crops, several bulletins were released or were started during the year; namely: (a) Cotton - Acreage, Yield, Production, Disposition, Price, and Value of Cotton and Cottonseed, 1866-1952; (b) Naval Stores - Production, Stocks, Imports, Exports, Consumption and Disposition of Naval Stores Production, 1910-1954; (c) Wheat - Acreage, Yield, and Production, by States, 1866-1943; (d) Broom-corn - Acreage, Yield, Production, Price, and Value, 1915-1952. Similar bulletins are in process for such items as sorghums, rye, barley, hay crops, and seeds.

5. Calf crop estimates released earlier in 1955. Release of the 1954 calf crop estimates was stepped up by several months with the issuance of a calf crop report in mid-February, 1955, shortly after the release of the annual report on livestock and poultry inventories. Steps have been taken to secure information on the calf crop in the June Rural Carrier Livestock survey which will provide basic data for forecasting the calf crop beginning in 1956. In anticipation of making calf crop forecasts, questions have been added to the interview surveys made in connection with the methodology project on sampling acreage and livestock numbers in the Southern States.
6. Cattle-on-feed reports extended to nine additional States. The quarterly cattle-on-feed reports were extended to nine additional States during the past year, bringing the coverage to nine Corn Belt and five Western States. These reports, which now represent 90 percent of the cattle feeding done in the United States, are providing timely data on inventories, placements, and marketings by quarters, with cattle classified according to kind, weight, length of time on feed, and expected marketings.
7. Reporting services for turkeys expanded in 11 States. In response to the need and demand for additional detail and expansion in the statistical reporting services for turkeys, this program was expanded to provide weekly reports on poults hatched and turkey eggs set, in the 11 important States representing about 85 percent of the total United States turkey production.
8. Chick placement reporting services extended to cover 22 States. The continued growth of the broiler industry has emphasized the need for expanding the chick placement reporting service. Accordingly, this service was extended during the past year to six additional important broiler producing States--Illinois, Missouri, Pennsylvania, South Carolina, Louisiana, and Washington. In addition, the coverage in Virginia, West Virginia, Maryland, North Carolina, Georgia, and Arkansas was expanded to a State-wide basis to include the newer broiler producing areas not previously covered in the reports for those States. The weekly chick placement reports now cover 22 States reporting 87 percent of the commercial broiler production in the country.
9. Monthly milk production estimates expanded to include Wyoming. The monthly milk production estimates were further expanded during the year to include estimates for Wyoming, making 33 States for which these estimates are now regularly prepared and released in monthly reports. It is anticipated that monthly estimates for Colorado will be incorporated in the reports before the end of the current year.
10. Increased emphasis directed toward securing complete coverage of sales of low-fat frozen dairy products. The rapid expansion of sales of low-fat dairy products through road-side stands and other outlets has required increased emphasis on the problem of securing complete coverage of sales by these outlets. Over 1,000 additional stands and outlets were added to the list of low-fat frozen dairy products producers in 1954-55, and an equally large or even larger number is expected to be added in 1955-56.

11. Production estimates developed for "Mellorine type" frozen desserts. The significant increase in the out-put of Mellorine and other frozen desserts made without butterfat, has emphasized the need for determining the number and location of manufacturers and sellers of these products, and the problems which might be involved in issuing monthly production estimates of Mellorine and similar products. Work initiated during the past year indicates that approximately one-half of the Mellorine and similar products is produced in Texas, with about nine other States accounting for the balance. The responses from manufacturers in these States to inquiries made relating to their production, have been unusually good. As a result a report on production of "Mellorine type" frozen desserts was issued for the first time in July 1955, showing estimated production in the years 1953 and 1954, by States and by months.
12. Revised questionnaires improve "prices paid estimates". In addition to "prices paid estimates" for approximately 500 commodities during the year, continuing emphasis was directed toward modernizing questionnaires and increasing the number of returns. The automobile and truck schedule was revised to include make and models in line with manufacturer's naming of their automobiles. Prices for tractors and farm machinery are now summarized by make, which has eliminated considerable fluctuation in sample averages and has made it possible to analyze price changes for specific makes of machinery.. Particular attention was given to price data for pesticides, which are used by farmers in an increasing volume. Analyses of the work will provide specific ways to give pesticides a more appropriate coverage in the Parity Index.
13. "Prices received estimates" expanded and improved. United States estimates of prices received by farmers for peaches and pears for fresh market were published monthly, beginning with the 1954 crop. At the same time, monthly estimates by States of prices received for apples sold for fresh use replaced the former all-use series.
14. Demand for cold storage reports increases. During the past year, direct requests from industry for the Cold Storage Reports averaged about 3,000 copies per month, not including the great number of releases on cold storage stocks distributed to mailing lists maintained by Market News Offices and other field offices. Because these reports are the only source of information on national food stocks held under refrigeration, they are widely used by all those associated with marketing agricultural perishables and semi-perishables.

Interest and demand for more detailed and specialized data on refrigerated stocks was increasingly evident during the past year, particularly from the frozen food industry. Program activities were also affected by the need for information on food stocks by Civil Defense and other agencies concerned with defense mobilization. Several limited analyses were prepared to show the distribution of food stocks and food storage facilities for a few selected cities, generally critical target areas.

MARKETING SERVICES

The activities under this subappropriation contribute to the efficient and orderly marketing of the products of American agriculture and aid farmers in obtaining the maximum return for their production. These activities are divided into five functional categories. Examples of accomplishment, by project, during 1955 are as follows:

A. MARKET NEWS SERVICE

Current Activities:

This service assists farmers in obtaining equitable returns for their products and aids in orderly marketing and prevention of waste, resulting from local surpluses, by providing timely and reliable market news on all major agricultural commodities. This is accomplished through the collection of market information at year-round and seasonal offices maintained in more than 100 cities and towns and the dissemination of this information by mail, press, radio, television, telephone, telegraph, bulletin board, and trade and farm publications. More than 1,200 daily newspapers having an average circulation of 37 million--approximately 70 percent of the 53 million circulation of all daily newspapers--carry news based on Federal market reports. A total of about 1,200 radio stations broadcast news regularly, and approximately 100 television stations carry market news reports.

Selected Examples of Recent Progress and Trends:

1. Activity, by Commodity Group, Fiscal Year 1955

Commodity Group	:Field :Of- :fices :	:Buyers :and :Sellers :Inter- :viewed :	:Daily :News- :papers :Carrying :Reports :	: Stations :Broadcasting :Reports :	: Mimeo- :graphed :Releases :	: To Growers, :Shippers, :And Others :	: On :Mailing :List :
Cotton and cottonseed:	:	:	:	:	:	:	:
Year-round....	35	:	:	:	:	:	:
Seasonal.....	5	:	:	:	:	:	:
Total.....	40	13,806	330	390	16	1,338,468	53,321
Dairy and poultry products...	32	1,850	920	1,125	44	12,094,174	57,000
Fruits and vegetables:	:	:	:	:	:	:	:
Year-round....	24	:	:	:	:	:	:
Seasonal.....	25	:	:	:	:	:	:
Total.....	49	3,800	500	600	28	10,193,000	70,240
Grain, feed and related prod's:	19 a/	1,707	840	641	28	2,275,394	78,618
Livestock, meats and wool:	38	4,000	1,070	1,175	70	4,590,000	32,000
Naval stores....	1	21	65	14	None	107,000	448
Tobacco:	:	:	:	:	:	:	:
Year-round....	2	:	:	:	:	:	:
Seasonal.....	8	:	:	:	:	:	:
Total.....	10	None b/	50	96	None	1,096,034	2,977

a/ Includes 7 Federal and 12 Federal-State offices.

b/ Auction system only.

2 Wider Coverage in all Commodity Groups During Fiscal Year 1955

- a. Greenville, South Carolina and Greenwood, Mississippi were designated as bona fide cotton markets under the Cotton Futures Act regulations. Cotton prices at these markets, along with prices from the bona fide markets of Lubbock, Texas and Fresno, California were added to the daily "Spot Cotton Quotations" beginning August 1, 1954. Addition of this data constituted a significant improvement in cotton market news coverage since satisfactory price data were lacking for the production in these important marketing areas.
- b. Service on dairy and poultry products was improved or expanded at 16 important markets. Among these improvements are: (1) at Chicago -- initiated a weekly report on wholesale prices of frozen eggs; preliminary work on data on processed turkeys and monthly "prices to retailers" on processed poultry, turkeys and eggs, (2) at Philadelphia -- began reporting wholesale prices of frozen ready-to-cook turkeys on a year-round basis. This had been done previously on a seasonal basis. (3) At New York -- initiated a daily report on selling prices of ready-to-cook poultry; initiated daily report on crates of dressed chickens received on a current day basis and number carried over on dealers' floors from the previous day. (4) At Denver and Cincinnati price reporting service was expanded to include net prices paid to shippers.
- c. Service on fruits and vegetables at Phoenix, Arizona was expanded to a nine-month operation rather than an intermittent seasonal basis as before. This provides more effective service to an expanding vegetable and citrus industry.
- d. The grain market news report was improved by (1) addition of weekly data on wheat exports of the 4 principal exporting countries -- United States, Canada, Argentina and Australia; (2) publication of United States wheat exports by class and grade; (3) expansion of price table to include price data for more grains at more markets
- e. With funds provided in the 1955 Appropriation Act, Federal participation in livestock reporting at Houston, Texas was reestablished on a Federal-State cooperative basis. Reporting of range sales of livestock was expanded in the Texas panhandle and northeastern New Mexico as well as at Denver, San Francisco, Spokane, Billings and Fort Worth
- f. Tobacco market news service was extended to the following markets: Alma and Pearson, Georgia, Henderson, Kentucky, and Gate City, Virginia, while service was discontinued at Scottsville, Kentucky due to discontinuance of market operations at this point.
- g. Coverage of naval stores reporting has now been expanded to include all the important processors who do their own selling and also all primary dealers through whom the other processors make their sales.

3. Increased Appropriations Available for Further Expansion and Improvement in 1956.

With additional funds provided in the 1956 Appropriation Act, new services are being initiated and the existing service improved in accordance with provisions of the Plan for Development of the Market News Service.

a. New services include:

- (1) Dairy and poultry reporting on a Federal-State cooperative basis at Jacksonville, Florida; Lincoln, Nebraska; Hartford, Conn.; also statewide coverage for Ohio.
- (2) Fruit and vegetable reporting at Washington, D.C. to be Federally financed and at Louisville, Ky. and Caldwell, Idaho on a Federal-State cooperative basis.
- (3) Rice reporting at New Orleans, La. to be financed cooperatively with the States of Arkansas, Louisiana and Texas.
- (4) Livestock reporting on a Federal-State cooperative basis at Lancaster, Pa.; Tulsa, Okla., and Visalia, California.
- (5) Meat reporting, financed Federally, at Portland, Oregon.

b. Improvements to existing service include:

- (1) Increased speed on the leased wire circuit between Kansas City and San Francisco from 75 to 100 words per minute.
- (2) Initiation of fruit and vegetable truck receipts reporting in 9 additional markets, and expanding and improving reports in three other markets.
- (3) Additional trainees and relief reporters at several stations.

4. Federal-State Cooperation

a. Federal-State Cooperative Agreements in Effect, Fiscal Year 1955

by Commodity Group

Dairy and Poultry Products:	Fruits and Vegetables :	Grain and Feed Products :	Livestock Meats and Wool :	Tobacco
Alabama	: Alabama	: Alabama	: Alabama	: --
--	: Arizona	: --	: --	: --
Arkansas	: Arkansas	: Arkansas	: --	: --
California	: California	: California	: California	: --
Colorado	: Colorado	: --	: --	: --
--	: Connecticut	: --	: --	: --
Delaware	: Delaware	: Delaware	: Delaware	: --
--	: Florida	: --	: Florida	: --
Georgia	: Georgia	: --	: Georgia	: --
--	: Hawaii	: --	: --	: --
--	: Idaho	: --	: --	: --
Illinois	: Illinois	: Illinois	: Illinois	: --
Indiana	: --	: --	: --	: --
Iowa	: --	: Iowa	: Iowa	: --
Kentucky	: Kentucky	: Kentucky	: --	: Kentucky
Louisiana	: Louisiana	: Louisiana	: Louisiana	: --
--	: Maine	: --	: --	: --
Maryland	: Maryland	: Maryland	: Maryland	: Maryland
Michigan	: Michigan	: --	: --	: --
--	: Minnesota	: --	: --	: --
Mississippi	: Mississippi	: Mississippi	: --	: --
--	: New Jersey	: --	: --	: --
New York	: New York	: --	: --	: --
No. Carolina	: No. Carolina	: No. Carolina	: No. Carolina	: No. Carolina
Ohio	: Ohio	: --	: --	: --
--	: Oklahoma	: --	: Oklahoma	: --
Oregon	: Oregon	: Oregon	: Oregon	: --
Pennsylvania	: Pennsylvania	: --	: --	: --
So. Carolina	: So. Carolina	: So. Carolina	: So. Carolina	: --
--	: --	: --	: So. Dakota <u>a/</u>	: --
Tennessee	: Tennessee	: Tennessee	: Tennessee	: Tennessee
Texas	: Texas	: Texas	: Texas	: --
Utah	: Utah	: Utah	: Utah	: --
Virginia	: Virginia	: Virginia	: Virginia	: Virginia
Washington	: Washington	: --	: --	: --
West Virginia	: West Virginia	: --	: --	: W. Virginia
Wisconsin	: Wisconsin	: --	: --	: --
	:	:	:	:
Total	:	:	:	:
Agreements 27	: 34	: 17	: 18	: 6

a/ Agreement and service discontinued 3/31/55 due to withdrawal of State funds.

b. Cooperative Financing

Financing of the market news reporting service is based on 3 categories:

<u>Category</u>	<u>Significance of Marketing Data</u>	<u>To be Financed by</u>
I	National	Federal appropriation
II	Regional	Joint Federal-State funds ranging from maximum of 75% to a minimum of 25% of either Federal or State funds.
III	Local	State or local funds.

Efforts were continued during 1955 to achieve more equitable financing arrangements in those locations where contributions were not being made jointly in accordance with the Market News Financing Plan. Progress was made in 8 of the 19 States not contributing their proportionate share. All new services have been initiated in accordance with the Financing Plan. Negotiations are under way with all States where equitable financing has not yet been achieved.

c. Federal Cost of Service

	<u>1955</u>	<u>1956 (Est.)</u>	<u>1957 (Est.)</u>
Total cost of service ..	\$3,734,954	\$4,137,960	\$4,242,015
Less reimbursements*....	129,189	162,350	162,350
Paid from appropriation.	3,605,765	3,975,610	4,079,665

* Includes amounts reimbursed to the appropriation in accordance with cooperative agreements. Does not include amounts expended directly by States and by local groups both under cooperative agreement and outside of agreement.

B. INSPECTION, GRADING AND CLASSING AND STANDARDIZATION

Current Activities:

These activities assist farmers in obtaining returns for their products commensurate with quality. This is accomplished by (1) establishing United States standards for agricultural commodities that will accurately describe their quality and condition; (2) developing the equipment and methods by which these standards may most efficiently be applied; (3) providing an impartial inspection, grading and classing service for producers, dealers and others on the basis of these standards; (4) broadening the knowledge, acceptance and use of such standards by producers, dealers, manufacturers, consumers and others through demonstrations, training courses, color charts, photographs, plaster models, preparation and loan or sale of copies of standards, etc.; and (5) administration and enforcement of regulatory and criminal provisions of statutes that require the use of official United States standards for cotton, cotton linters, and grain sold in interstate commerce and for tobacco sold at designated auction markets.

Selected Examples of Recent Progress and Trends

1. Standardization and Related Activities

United States standards provide a common language to describe quality of products being bought and sold. They must be revised and kept up to date to reflect results of new research and significant changes occurring in production, merchandising practices, and uses of the products. Visual aids are an important part of this work to assure as much uniformity as possible in the application of the standards.

- a. The volume of standardization and demonstration activities in 1955, by commodity group, is reflected in Table I.

- b. Examples of Specific Standardization Activities

- (1) The field trial for spotted cotton standards in physical form was extended from June 18, 1954 to April 15, 1956 at the request of signatories to the Universal Standards Agreements and some members of the domestic Trade. The purpose of the field trial is to determine the practicability of replacing existing descriptive standards for spotted cotton with physical form standards.

- (2) Plans were made to study the need and practicability of developing guide boxes for use in classing cotton containing irregularities normally associated with mechanical harvesting.
- (3) Surveys were made on a belt-wide basis of the 1954 production of cotton and linters to indicate the range in measurable factors of quality represented by current production of these products and the extent to which existing standards cover the full range of the various factors of quality in each instance.
- (4) Preliminary revision of "U. S. Standards for Grades of Cheddar Cheese" was completed in June 1955.
- (5) Work was begun to develop standards for dry whey product and lactose.
- (6) The "Minimum Specifications for Approved Plants Manufacturing or Processing Dairy Products under U. S. Department of Agriculture Inspection" was discussed with all major segments of the dairy industry. The completed specification was being prepared for publication at the close of the year.
- (7) Plans were completed for a comprehensive review of the U. S. wheat standards. The review will be initiated at a wheat standards conference of invited representatives from each organization of national importance which has interest in this commodity.
- (8) An intensive study was undertaken into the feasibility of placing grade identification on retail cuts of meat. This is in keeping with the rapid expansion in the practice of merchandising meat in pre-packaged form.
- (9) A consumer educational program was conducted covering selection and utilization of meat by cut and grade. The program was requested and presented in 69 cities and 28 states covering all sections of the country. Eighty-six television appearances and 85 radio programs were conducted and demonstrations were held for 73 consumer and professional group meetings and numerous newspaper and magazine articles were written covering these meetings.
- (10) Poultry regulations were revised in order to incorporate changes in the standards of quality for ready-to-cook poultry. Regulations, standards, and grades for shell eggs were also revised. Revised publications reflecting these changes were printed and distributed to interested persons.

- (11) Considerable progress has been made in the physical and chemical investigations on the U. S. tobacco standards. Analytical work has been completed on 20 representative grades of Type 31, 1951 crop. A similar study on 24 representative grades of the same type, 1952 crop, will be completed in the current fiscal year. The data on the 2 years will be analyzed and correlated with the various elements of quality and characteristics which determine the classification of the standard grades. Results will be published in a USDA technical bulletin.
- (12) Training of wholesalers and retailers of fruits and vegetables, conducted under contract with the United Fresh Fruit and Vegetable Association, continued to prove highly beneficial to producers and dealers alike. Ten merchandising departments were established during 1955 for wholesalers and retailers of fresh fruits and vegetables. This brings to 67 the total of such departments established under this program. In addition 82 merchandising assistants were trained during the year making a total of 580 trained since this type of instruction has been offered. Mounting awareness of the importance of merchandising activities and the opportunities for stimulating the consumption of fresh fruits and vegetables has lead thousands of retailers to participate in nationwide promotion programs for these commodities.

2. Inspection, Grading and Classing Activities

(a) New Seasonal Cotton Classing Offices

The Conference Report on the Department of Agriculture Appropriation Act for 1955 (House Report 1911) directed the Secretary to establish subclassing offices at three specified locations and at other places in the Cotton Belt where, in the opinion of the Secretary, cotton marketed or handled justified such suboffices and where local people were willing to provide the cost of necessary office space and physical equipment. Under this directive subclassing offices were established during the 1955 marketing season at Hattiesburg and Prentiss, Mississippi, and Pecos, Texas. These three offices are being operated during the 1956 marketing season. A seasonal sub-office was established at Waco, Texas on September 6, 1955. There were a number of requests from other locations for the establishment of subclassing offices but in these cases the sponsors considered the matter and decided against meeting the specifications approved by the Department for establishment of such offices. It is probable that the Department may have to establish additional offices during subsequent marketing seasons since groups desiring the offices will have more time to make preparations for providing adequate space and equipment.



TABLE I

Volume of Standardization and Demonstration Activities, by Commodity Group, Fiscal Year 1955

Type of Activity	Cotton : : and : Cotton- : seed	Fruits : : Dairy : : Prod- : : ucts	Grain, Hay, : : Feed, Seed, : : etc.	Meats : : and : Wool	livestock, : : Poul- : : try : : Prod- : : ucts	Tobacco : : and : Naval : : Stores
Standardization Activities:						
Grade standards in effect June 30, 1955	103:	8:	268:	20:	13:	9: 2,660
Number of commodities covered	3:	8:	200:	20:	18:	3: 3 a/
New standards issued in fiscal year 1955	--:	--:	5:	--:	1:	--:
Standards revised in fiscal year 1955	7:	--:	18:	1:	1:	2: 66
New standards in process June 30, 1955	--:	3:	8:	--:	1:	2: --
Standards being revised as of June 30, 1955..	7:	1:	17:	--:	3:	--:
Requests pending for new standards	1:	4:	23:	--:	--:	2: 30
Requests pending for revision of standards...	--:	1:	29:	2:	2:	1: 36
Demonstration Activities:						
Farm demonstrations--						
Number.....	1:	--:	--:	--:	--:	1,123
Attendance..	500:	--:	--:	--:	--:	18,235
Farmer meetings--						
Number.....	150:	--:	--:	40:	--:	188
Attendance..	7,000:	--:	--:	2,000:	--:	4,036
Farm visits--						
Number.....	3,222:	--:	--:	--:	--:	287
Attendance..	3,773:	--:	--:	--:	--:	620
School demonstrations--						
Number.....	146:	28:	28:	30:	5:	44: 1,647
Attendance..	3,860:	336:	1,375:	1,500:	300:	760: 34,728
Short courses at Agricultural Colleges--						
Number.....	6:	4:	--:	--:	3:	31
Attendance..	150:	350:	--:	--:	1,400:	719
Other demonstrations--						
Number.....	721:	--:	32:	--:	259:	23
Attendance..	959,421:	--:	919:	--:	13,000:	b/
Grading and training schools-						
Attendance..	--:	--:	--:	--:	--:	238
Packing houses, processing plants visited						
and industry members interviewed	--:	--:	1,078:	--:	--:	750: --
Distributed--						
Copies of standards	17,813:	6,045:	131,959:	10,000:	12,000:	44,400: 2,035
Farmer bulletins, etc.	13,004:	--:	1,235:	2,500:	43,000:	159,568: 65,305
Visual Aids:						
Prepared-						
Plaster and wax models	--:	--:	1,505:	--:	--:	--:
Color photographs	--:	--:	73:	--:	--:	--:
Other	--:	--:	345:	--:	--:	--:
Distributed-						
Plaster and wax models	--:	--:	954:	--:	--:	--:
Color photographs, charts and guides	--:	--:	299:	--:	3,000:	121,387: --
Black and white photographs	--:	--:	--:	--:	--:	75: --
Slides and film strips	19:	--:	--:	--:	--:	630: --
Type samples and physical forms	--:	--:	--:	3,500:	--:	--:
Sets of standards loaned	--:	--:	--:	--:	--:	74
Exhibits and other displays	161:	--:	--:	--:	--:	2: --
Television films	2:	--:	--:	--:	--:	--:

a/Includes turpentine, rosin and 25 types of tobacco.

b/Not available.



(b) Volume of Cotton Classing Declines in 1955

As was anticipated under restricted cotton acreage, the volume of cotton classed in 1955 declined somewhat from that of 1954 due to a decline in total cotton production from 16,317,000 running bales in crop year 1953 to 13,601,000 bales in crop year 1954.

(c) Inspection of Fruits and Vegetables for Cuba

Under contract with the Cuban Export Association an inspection service was provided in 1955 covering imports of potatoes and avocados into the United States and Puerto Rico from Cuba. Inspections were performed at shipping point (Cuba), on a fee basis, to determine compliance with applicable import requirements under Section 8(e) of the Agricultural Marketing Agreement Act of 1937, as amended. In July and August 1955 cooperative agreements were signed with the Association of Producers and Exporters of Cuban Fruits and Vegetables and the Isle of Pines Chamber of Commerce, Incorporated, to provide such inspection on avocados and grapefruit during the first 3 months of 1956, fees collected to be deposited into the Trust Fund.

(d) Inspection and Grading for Department of Army

For a number of years the Agricultural Marketing Service has been performing inspection and grading work for the Army on fresh and processed fruits and vegetables and miscellaneous grain products and, in recent years, to a limited extent on poultry and poultry products. In addition, Army purchases of meat have been graded for quality determination. In fiscal year 1955 dairy products work was included for the first time and the work on poultry and poultry products expanded substantially. Payments received from the Army in Fiscal Year 1955 for these services aggregated about \$600,000. About half this amount was for inspection and grading of fresh and processed fruits and vegetables; approximately one-third represents inspection and grading of poultry and poultry products; and the remainder was for grain products, dairy products and meat. Revenue from processed fruit and vegetable work declined in 1955 due to reduced procurement, while grain products revenues increased slightly.

(e) Reduction in Tonnage of Meat Graded

The reduction in volume of meat graded in 1955 was due largely to discontinuance in AMS of certification work for Federal agencies. Pursuant to Secretary's Memorandum 1363, dated August 20, 1954, contract specification work on meat and meat products for procurement for all Federal agencies in federally-inspected plants was assigned to the Agricultural Research Service.

(ee) Poultry Inspection Service Continues to Expand

The inspection of poultry for wholesomeness is a continually expanding service. The number of plants using this service has doubled during the past 5 years. During fiscal year 1955 there was an average of 262 plants under inspection with about 30 new plants entering into contracts with the Department for this service. The present outlook is for further growth--this, despite the fact that it has been necessary to increase fees for services due principally to legislation increasing pay scales and increases in other Federal costs.

Table II shows volume of commodities inspected and graded under authority of the Agricultural Marketing Act of 1946 which provides that the Secretary may charge a fee to cover the cost of the service.

Table II Commodities Inspected and Graded on a Fee Basis,
Fiscal Years 1954-1956
By Commodity Group

Commodity Group	Unit	1954	1955	1956 a/
<u>Fresh fruits and vegetables:</u>				
At receiving markets	Car or	98,871:	102,817:	102,000
At shipping points	carlot	1,263,134:	1,218,000:	1,277,000
	equiva-			
Total carlots.....	lent	1,362,005:	1,320,817:	1,379,000
<u>Processed fruits and</u>				
<u>vegetables:</u>				
Canned products	Cases	111,003,424:	103,863,000:	110,000,000
Frozen, dried, and				
miscellaneous	Pounds	1,798,586,772:	1,948,075,000:	2,674,000,000
Marine products, canned...	Cases	196,758:	119,000:	100,000
<u>Dairy products:</u>				
Butter, cheese, dry skim				
milk, evaporated milk,				
and miscellaneous				
products	Pounds	3,633,349,477:	3,927,640,945:	3,107,000,000
<u>Poultry products:</u>				
Shell eggs	Cases	14,497,513:	21,479,000:	29,000,000
Processed eggs	Pounds	337,617,325:	355,315,000:	374,600,000
Poultry	Pounds	2,009,205,634:	1,982,891,000:	2,273,600,000
Poultry processed under				
USDA sanitary standards:	Pounds	1,384,064,796:	1,736,728,000:	2,090,000,000
<u>Grain and related products:</u>				
Rice, beans and peas	100, bags	34,253,000:	62,751,951:	60,000,000
Hay	Tons	75,247:	58,686:	65,000
Hops	Bales	219,899:	229,376:	225,000
Seed verification and	Pounds			
reverification	Pounds	96,203,000:	126,311,845:	90,000,000
Miscellaneous commodities:				
Certificates Issued.....		9,769:	15,338:	15,000
<u>Meat and meat products:</u>				
Beef	Pounds	6,032,976,000:	5,729,291,000:	5,500,000,000
Veal and calf	Pounds	328,412,000:	339,376,000:	350,000,000
Lamb and mutton	Pounds	246,745,000:	247,531,000:	240,000,000
Miscellaneous	Pounds	605,566,000:	184,632,000:	150,000,000
Total, meat and meat				
products	Pounds	7,213,699,000:	6,500,830,000:	6,240,000,000
<u>Cottonseed - Certificates</u>				
issued		166,328:	128,553:	100,000
<u>Cotton fiber - Tests made</u>				
Naval stores:		23,915:	19,463:	20,000
Rosin - Drum equiva-				
lent		444,215:	442,021:	400,000
Turpentine - Gallon				
equivalent:		6,618,033:	7,462,199:	6,715,979

a/ estimated.

(f) The following tables show volume of inspection, grading, and classing activities in specific commodity fields performed pursuant to legislation other than the Agricultural Marketing Act of 1946

Number of Cotton and Cotton Linters Classifications by Federal
Employees and Licensed Classers
(Federally supervised)
Fiscal Years 1954 - 1956

Legislative Authority	Number of Classifications Made		
	1954	1955	1956(Est.)
<u>Cotton</u>	:	:	:
<u>Classifications by Federal Employees</u>	:	:	:
Statistics and Estimates Act	415,396	270,721	250,000
Smith-Doxey Amendment	12,667,777	10,065,288	11,500,000
Cotton Standards Act:	:	:	:
Public Classing Service	411,472	1,130,565	1,000,000
International Cooperation Adminis-	:	:	:
tration (reimb.)	179,854	140,765	144,000
Federal Penitentiary (reimb.)	22,324	21,305	26,000
C.C.C. Loan (reimb.)	402,896	45,518	50,000
Other	23,938	39,945	34,254
Cotton Futures Act	457,080	152,008	200,000
Subtotal(Classifications by Federal	:	:	:
Employees)	14,580,737	11,866,115	13,204,254
<u>Classifications by Licensed Classers</u>	:	:	:
(Supervised by Federal Classers)	:	:	:
Cotton Standards Act (Includes bale:	:	:	:
classifications and samples	:	:	:
classified in sorting cotton into	:	:	:
lots by grades and staple)	928,018	876,173	750,000
Total, Cotton Classifications...	15,508,755	12,742,288	13,954,254
<u>Cotton Linters</u>	:	:	:
<u>Classifications by:</u>	:	:	:
Federal employees	8,356	25,053	20,000
Licensed classers	296,800	132,595	9,000
Total, Cotton Linters	:	:	:
Classifications	305,156	157,648	29,000

Volume of Grain Inspection (by Licensed Inspectors Federally Supervised)
and Appeal Activities (by Federal Inspectors) under the U. S. Grain
Standards Act

Fiscal Years 1941 and 1954-57 a/

Activity :	1941	1954	1955	1956 b/	1957 b/
Licensed :	:	:	:	:	:
inspectors:	:	:	:	:	:
as of 6-30:	414:	540:	548:	560:	560
Inspection :	:	:	:	:	:
points as :	:	:	:	:	:
of 6-30....:	<u>178:</u>	<u>272:</u>	<u>294:</u>	<u>300:</u>	<u>300</u>
Estab- :	:	:	:	:	:
lished...:	134:	163:	169:	172:	172
Desig- :	:	:	:	:	:
nated...:	44:	109:	125:	128:	128
Inspections:	:	:	:	:	:
by :	:	:	:	:	:
licensees..:	1,268,121:	2,309,790:	2,538,496:	2,500,000:	2,500,000
Supervised..:	:	:	:	:	:
inspections	:	:	:	:	:
total.....:	<u>191,521:</u>	<u>201,257:</u>	<u>203,897:</u>	<u>212,000:</u>	<u>235,000</u>
Appeal....:	<u>56,900:</u>	<u>82,274:</u>	<u>75,295:</u>	<u>82,000:</u>	<u>90,000</u>
Other.....:	134,621:	118,983:	128,602:	130,000:	145,000
Percent of :	:	:	:	:	:
inspections	:	:	:	:	:
supervised:	15.1 :	8.7 :	8.0 :	8.4 :	9.4
Percent of :	:	:	:	:	:
appeals on:	:	:	:	:	:
which orig-	:	:	:	:	:
inal grade:	:	:	:	:	:
changed...:	32.5 :	27.0 :	26.0 :	25.0 :	22.0
Appeals :	:	:	:	:	:
carried to:	:	:	:	:	:
Appeal :	:	:	:	:	:
Boards....:	638:	779:	756:	800:	800
Percent of :	:	:	:	:	:
Board ap- :	:	:	:	:	:
peals on :	:	:	:	:	:
which super-	:	:	:	:	:
visors' :	:	:	:	:	:
grades :	:	:	:	:	:
changed...:	21.0 :	11.7 :	17.0 :	15.0 :	15.0
Quantity of:	:	:	:	:	:
grain pro-:	:	:	:	:	:
duced-crop:	:	:	:	:	:
crop year :	:	:	:	:	:
(1,000 bu):	5,456,682:	6,228,756:	6,416,229:	6,200,000:	6,200,000
Quantity of:	:	:	:	:	:
grain in- :	:	:	:	:	:
spected :	:	:	:	:	:
(1,000 bu):	1,944,430:	3,998,266:	4,803,923:	4,800,000:	4,800,000
Total number	:	:	:	:	:
of certifi-	:	:	:	:	:
cates :	:	:	:	:	:
issued....:	1,325,667:	2,392,843:	2,614,547:	2,580,800:	2,735,800

See next page for footnotes

Footnotes to preceding table

a/ Users of this service pay a fee to the licensed inspector. No Federal fee is charged except in the case of appeal inspections when licensees' grades are not changed. This is in accordance with provisions of the United States Grain Standards Act.

b/ Estimated.

Number of Auction Markets and Volume of Tobacco Inspected under the
Tobacco Inspection Act
Fiscal Years 1955, 1956 and 1957

Item	Fiscal Year		
	1955	1956 a/	1957 a/
Number of markets	174	178	180
Number of designated markets ..	170	174	178
Number of markets inspected ..	174	178	180
Number of sets of buyers	236	240	242
Volume inspected at auction			
markets (million lbs.)	2,301	2,226	2,176
Percent of total volume sold			
at auction	100	100	100

Volume of Tobacco Inspected, by Class - Fiscal Year 1955

Class of Tobacco	Number of Auction Markets	Sets of Buyers	Quantity Sold (thousand lbs.)	Quantity Inspected	Percent Inspected
<u>Auction Markets:</u>					
Flue-cured.....	89	91	144	1,467,843	100
Fire-cured.....	9	9	13	59,114	100
Dark air-cured:	10	10	6	34,587	100
Burley.....	58	60	68	697,696	100
Maryland.....	4	4	5	41,854	100
Total.....	170	b/ 174	236	2,301,094	100
<u>Cooperative Marketing Associations:</u>					
Grand total...				378,584	
				2,679,678	

a/ Inspection service on designated markets is performed free of charge in accordance with provisions of the Tobacco Inspection Act.

b/ Comprises 972 different warehouses.

(g) Estimated Percentage of Crop Marketed under Federal Grades, Fiscal Years 1955 and 1956 by Commodity or Commodity Group

<u>Commodity or Commodity Group</u>	<u>Fiscal Year</u>	
	<u>1955</u>	<u>1956</u>
Cotton	74	79
Cotton linters	8	5
Cottonseed	80	75
Dairy products	36	36
Fresh fruits and vegetables	85	85
Canned fruits and vegetables	20	20
Frozen fruits and vegetables	70	70
Grain products		
Beans	46	46
Grain	50	50
Hay	1	1
Hops	98	98
Peas	61	61
Rice	65	65
Meat		
Beef	45	45
Veal and calf	22	22
Lamb, yearling and mutton	33	33
Poultry inspected		
Turkeys	47	47
Chickens	16	16
Poultry for canning	89	89
Poultry and eggs graded		
Shell eggs	15	15
Egg products	78	78
Poultry (excluding turkeys)	9	9
Turkeys	40	40
Poultry under sanitation.	30	30
Tobacco (sold at auction markets)	100	100
Rosin	100	100
Turpentine	100	100

(h) Fees and charges - See following table.

(i) Financing

1. Funds available

The work under this project relating to cotton and cottonseed, grain and tobacco and the standardization activities for all commodity groups are financed largely from the appropriation. For other commodities, fees collected for the services are used to pay a large part of the expenses of the inspection work.

(h) Fees and Charges for services rendered are revised when necessary to cover the cost of the Service.
Revisions in Fees and Charges, Fiscal Years 1955 and 1956

Service Provided	Effect of Change	New Rate	Effective Date
1. Cotton fiber and spinning testing....	18% increase in total revenue...	Involves 24 fees increased an average of 32% and 4 decreased 44%. In addition, special rates in effect for a larger volume of any one test were increased an average of 17%. Eighteen fees remain unchanged.	8-1-54
2. Inspection of fresh fruits and vegetables.....	11% increase on (1) commercial and (2) supplies for public and private agencies inspections at receiving markets.....	\$4.00 per hour, \$8.00 per carlot inspection for condition only, \$10.00 per carlot inspection for quality and condition	7-18-55
	Increase in charge to compensate for additional cost for work performed outside regular work week (P.L. 763).....	Hourly rate increased from \$3.60 to \$5.10 for work required outside regular work week	1-1-55
3. Inspection of processed fruits and vegetables.....	10% increase in total revenue...	Involves 90 different fees of which all major items were increased 5 to 33%	7-1-54
	10% increase in total revenue...	Involves 50 different fees	7-18-55
4. Inspection of grain products, vegetable oils, etc., for compliance with quality specifications and for condition.....	20% to 25% increase in fee and 20% increase in hourly rate.....	\$3.60 per hour	9-1-54
	20% - 25% increase for carlot inspection.....	Involves 84 different items with rates of \$8.00 to \$25.00 per carlot increased to \$10.00 to \$30.00	9-1-54
	10% increase in fees; 11.1% increase in hourly rate.....	\$4.00 per hour	9-1-55
5. Meat grading.....	16-2/3% increase in hourly wage rate for meat grading fees.....	\$4.20 per hour	7-17-55
6. Fees for supervisory and administrative costs for resident poultry grading.....	1.7% decrease in total revenue...	5% decrease in fee	8-1-54
7. Fees for supervisory and administrative costs of poultry inspection.....	2-1/2% decrease in total revenue...	Administrative charge applied to bill for resident inspection; reduced from 12% to 9-1/2%	8-1-54
	Increase in charge for overtime work as provided in P.L. No. 763	Charge for overtime work increased from \$2.90 per hour to \$3.65	11-1-54
Inspection of poultry and poultry products:	3% increase in total revenue...	Weekly charge for resident dressed poultry inspection increased from \$127 to \$132. Weekly charge for resident inspection of canning and processing of poultry increased from \$107.31 to \$112. The charge for combined initial and final plant surveys increased from \$75 to \$125.	8-1-55
8. Naval Stores inspection.....	50% increase in revenue.....	Involves 14 different rates on a container basis (drums, bags, tank cars, etc.), ranging from \$0.01 to \$0.15 per container; 8 different rates for laboratory analysis and testing, ranging from \$3.00 to \$20.00 each; and a 21.5 percent increase in the hourly rate for field inspection and laboratory service.	9-1-55

1. Funds available--continued

The Agricultural Appropriation Act of 1952 authorized advances each year from the Commodity Credit Corporation, as needed, in addition to other funds available, to assure ability to perform the classing of cotton and the grading of tobacco without charge to producers. The Corporation is reimbursed through subsequent appropriations to the extent necessary for costs of classing and grading commodities not placed under commodity loan.

2. Revenue and Net Cost of Service

Certain items of revenue other than the earnings used to defray expenses are deposited to "Miscellaneous Receipts of the Treasury." The net cost of this project in 1955 to the taxpayer was about 4.7 million dollars, or 23 percent of the total cost of the program. In 1956, the cost to the taxpayer is estimated at about 5.1 million dollars, or 23 percent of the total cost.

C. FREIGHT RATE SERVICES

Current Activities:

This activity assists in obtaining and maintaining equitable transportation rates and service on farm products and farm supplies through the Department's participation in cases before the Interstate Commerce Commission and other regulatory bodies and informal negotiations with carriers and groups of carriers.

Selected Examples of Recent Progress and Trends:

1. Action Taken During Fiscal Year 1955

- a. During fiscal year 1955, the Department participated in 124 actions before the Interstate Commerce Commission, Federal Maritime Board, Civil Aeronautics Board, United States Courts, and carrier bureaus and committees. These actions covered nearly all agricultural commodities and a great many farm supplies. The agricultural community in each of the 48 States was affected to some degree by these actions. The various agricultural commodities or rates affected by the above actions are as follows:

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Cost of Inspection, Grading, Classing and Standardization Activity
and Cost of Program to Taxpayer, by Work Project

Fiscal Year 1955

Work Project	Total	Paid From Revenue Earned			Paid From		Income	Net Cost to Taxpayer	Percent	Percent
		Reimb.	Trust Funds	Total	Advances	Appro- priation	to		of Total	of Total
		to			from		General		Cost	Cost
		Appro- priation 1/			C C C 2/		Revenue Fund of Treasury		Charged to Taxpayer	Covered by Revenue
<u>Inspection, Grading and Classing</u>										
Cotton and cottonseed...	\$2,781,864	\$546,210	\$34,428	\$580,638	\$256,185	\$1,945,041	\$1,576,626	\$624,600	22.5	77.5
Dairy products	1,709,489	--	1,685,920	1,685,920	--	23,569	--	23,569	1.4	98.6
Fruit and vegetables ...	3,547,077	--	3,263,622	3,263,622	--	283,455	--	283,455	8.0	92.0
Grain (U. S. Grain Standards Act) ..	1,484,662	35,819	--	35,819	--	1,448,843	439,049	1,009,794	68.0	32.0
Livestock, meats and wool:	3,187,280	--	3,125,663	3,125,663	--	61,617	--	61,617	1.9	98.1
Naval stores	42,859	--	16,962	16,962	--	25,897	904	24,993	58.3	41.7
Poultry products	3,867,740	--	3,705,975	3,705,975	--	161,765	--	161,765	4.2	95.8
Rice, hay, beans, etc...	900,261	--	890,364	890,364	--	9,897	1,473	8,424	.9	99.1
Tobacco	2,211,850	605,273	--	605,273	111,555	1,495,022	2,392	1,604,185	72.5	27.5
TOTAL	19,733,082	1,187,302	12,722,934	13,910,236	367,740	5,455,106	2,020,444	3,802,402	19.3	80.7
<u>Standardization</u>										
Cotton and cottonseed...	289,858	22,466	--	22,466	--	267,392	34,505	232,887	80.3	19.7
Dairy products	17,081	--	--	--	--	17,081	--	17,081	100.0	--
Fruit and vegetables....	293,263	--	--	--	--	293,263	--	293,263	100.0	--
Grain (U. S. Grain Standards Act) ..	114,127	1,500	--	1,500	--	112,627	--	112,627	98.7	1.3
Livestock, meats and wool:	116,717	--	--	--	--	116,717	3,317	113,400	97.2	2.8
Naval stores	9,091	--	--	--	--	9,091	256	8,835	97.2	2.8
Poultry products	67,555	700	--	700	--	66,855	--	66,855	99.0	1.0
Rice, hay, beans, etc...	38,132	--	--	--	--	38,132	--	38,132	100.0	--
Tobacco	55,170	--	--	--	--	55,170	--	55,170	100.0	--
TOTAL	1,000,994	24,666	--	24,666	--	976,328	38,078	938,250	93.7	6.3
<u>Total Inspection, Grading, Classing, and Standardization</u>										
Cotton and cottonseed...	3,071,722	568,676	34,428	603,104	256,185	2,212,433	1,611,131	857,487	27.9	72.1
Dairy products	1,726,570	--	1,685,920	1,685,920	--	40,650	--	40,650	2.4	97.6
Fruits and vegetables...	3,840,340	--	3,263,622	3,263,622	--	576,718	--	576,718	15.0	85.0
Grain (U. S. Grain Standards Act) ..	1,598,789	37,319	--	37,319	--	1,561,470	439,049	1,122,421	70.2	29.8
Livestock, meats and wool:	3,303,997	--	3,125,663	3,125,663	--	178,334	3,317	175,017	5.3	94.7
Naval stores	51,950	--	16,962	16,962	--	34,988	1,160	33,828	65.1	34.9
Poultry products	3,935,295	700	3,705,975	3,706,675	--	228,620	--	228,620	5.8	94.2
Rice, hay, beans, etc...	938,393	--	890,364	890,364	--	48,029	1,473	46,556	5.0	95.0
Tobacco	2,267,020	605,273	--	605,273	111,555	1,550,192	2,392	1,659,355	73.2	26.8
TOTAL	20,734,076	1,211,968	12,722,934	13,934,902	367,740	6,431,434	2,058,522	4,740,652	22.9	77.1

1/ Includes amounts reimbursed by CCC for classing cotton and grading tobacco placed under loan.

2/ Reflects cost incurred under funds advanced by CCC for classing cotton and grading tobacco not placed under loan.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Estimated Cost of Inspection, Grading, Classing, and Standardization Activity
And Cost of Program to Taxpayer, by Work Project

Fiscal Year 1956

Work Project	Total	Paid From Revenue Earned			Paid From		Income	Percent	Percent	
		Reimb.			Advances	to	of Total	of Total		
		to	Trust		from	General	Cost	Cost		
		Appropriation	Funds	Total	CCC	Appropriation	Revenue	Charged	Cost	
		1/			2/			to	by	
						Treasury	Taxpayer	Taxpayer	Revenue	
Inspection, Grading, and Classing										
Cotton and cottonseed..	3,210,945	1,117,895	23,250	1,141,145	--	2,069,800	1,494,100	575,700	17.9	82.1
Dairy products	1,761,360	--	1,761,360	1,761,360	--	--	--	--	--	100.0
Fruits & vegetables ...	3,771,570	--	3,536,270	3,536,270	--	235,300	--	235,300	6.2	93.8
Grain (U. S.)										
Grain Stds. Act).....	1,574,250	47,250	--	47,250	--	1,527,000	429,500	1,097,500	69.7	30.3
Livestock, meats and										
wool	3,425,380	--	3,425,380	3,425,380	--	--	--	--	--	100.0
Naval stores	49,130	--	20,930	20,930	--	28,200	1,000	27,200	55.4	44.6
Poultry products	3,983,760	--	3,721,560	3,721,560	--	262,200	--	262,200	6.6	93.4
Rice, hay, beans, etc..	1,157,600	--	1,157,600	1,157,600	--	--	--	--	--	100.0
Tobacco	2,443,600	625,000	--	625,000	248,500	1,570,100	2,050	1,816,550	74.3	25.7
TOTAL	21,377,595	1,790,445	13,646,350	15,436,495	248,500	5,692,600	1,926,650	4,014,450	18.8	81.2
Standardization										
Cotton and cottonseed..	351,700	26,400	--	26,400	--	325,300	42,000	283,300	80.6	19.4
Dairy products	26,200	--	--	--	--	26,200	--	26,200	100.0	--
Fruits & vegetables....	336,400	--	--	--	--	336,400	--	336,400	100.0	--
Grain (U. S.)										
Grain Stds. Act).....	123,000	1,500	--	1,500	--	121,500	--	121,500	98.8	1.2
Livestock, meats and										
wool	123,900	2,600	--	2,600	--	121,300	3,250	118,050	95.3	4.7
Naval stores	10,000	--	--	--	--	10,000	300	9,700	97.0	3.0
Poultry products	76,400	1,800	--	1,800	--	74,600	--	74,600	97.6	2.4
Rice, hay, beans, etc..	41,100	--	--	--	--	41,100	--	41,100	100.0	--
Tobacco	58,600	--	--	--	--	58,600	--	58,600	100.0	--
TOTAL	1,147,300	32,300	--	32,300	--	1,115,000	45,550	1,069,450	93.2	6.8
Total Inspection, Grading, Classing, and Standardization										
Cotton and cottonseed..	3,562,645	1,144,295	23,250	1,167,545	--	2,395,100	1,536,100	859,000	24.1	75.9
Dairy products	1,787,560	--	1,761,360	1,761,360	--	26,200	--	26,200	1.5	98.5
Fruits & vegetables....	4,107,970	--	3,536,270	3,536,270	--	571,700	--	571,700	13.9	86.1
Grain (U. S.)										
Grain Stds. Act)	1,697,250	48,750	--	48,750	--	1,648,500	429,500	1,219,000	71.8	28.2
Livestock, meats and										
wool	3,549,280	2,600	3,425,380	3,427,980	--	121,300	3,250	118,050	3.3	96.7
Naval stores	59,130	--	20,930	20,930	--	38,200	1,300	36,900	62.4	37.6
Poultry products	4,060,160	1,800	3,721,560	3,723,360	--	336,800	--	336,800	8.3	91.7
Rice, hay, beans, etc..	1,198,700	--	1,157,600	1,157,600	--	41,100	--	41,100	3.4	96.6
Tobacco	2,502,200	625,000	--	625,000	248,500	1,628,700	2,050	1,875,150	74.9	25.1
TOTAL	22,524,895	1,822,445	13,646,350	15,468,795	248,500	6,807,600	1,972,200	5,083,900	22.6	77.4

1/ Includes amounts reimbursed by CCC for classing cotton and grading tobacco placed under loan.

2/ Reflects cost incurred under funds advanced by CCC for classing cotton and grading tobacco not placed under loan.

<u>Commodity or Rate</u>	<u>Number of Actions</u>
Cotton and cottonseed	6
Dairy and poultry products	11
Fruits and vegetables	17
Grain and grain products	19
Livestock and meats	21
Wool and mohair	3
Fertilizer and fertilizer material.	14
Fish and fishery products	2
Agricultural implements	1
Motor carrier rates - General	12
Rail rates - General	7
Water rates - General	8
Air rates - General	3
Total	<u>124</u>

14% Increase in Number of Cases Handled

This was an increase of about 14 percent over the number of cases in which the Department participated in 1954. There are always many actions pending and, similarly, many actions being initiated. The initiation of new actions depends to some extent upon the number already in process. The intent is to participate in such actions as may affect many commodities, or a large area of production or any action the result of which might set an important precedent for the future.

b. In informal negotiations with carriers, reductions were secured in rates on:

- (1) dairy and poultry products, amounting to as much as \$80.00 per car on traffic moving transcontinentally, eastbound;
- (2) fertilizer and fertilizer material within the Southwest and the Western States;
- (3) cotton from California and Arizona to Eastern consuming points;
- (4) castor beans from the Southwest to Eastern mill points.

c. In a formal proceeding, the Department assisted New York hay producers in obtaining reductions in rates to points in Eastern and Southern States.

d. Fourteen posted stockyards were included in rail carrier tariffs applicable in Western States at the Department's request and in compliance with the Interstate Commerce Act, which provides that at stockyards accessible to rail transportation the expense of loading and unloading livestock shall be borne by the railroads.

- e. At the request of producers of flowers and plants in Florida, the Department supported an application by a freight carrying air line for authority to serve several additional points in that State. This authority was granted on a temporary basis, and has been used to a very substantial extent.
2. In the period 1946 to 1955, regulated rail carriers were the beneficiaries of 12 increases in their rates and charges. These increases in rail rates were followed by increases in motor carrier and water rates. As a result of these increases in costs of distribution by regulated carriers, producers have turned to non-regulated shipping agencies for service. The latter include privately-owned motor carriers and those specifically exempt by the Interstate Commerce Act. This has led to a decrease in traffic to regulated carriers which have, in turn, applied for higher rates to offset this loss. Shipper applications to regulated carriers for reductions in their rates are growing in volume, and the Department's transportation work has been increased by that volume and by the Department's desire to thoroughly analyze each proposal to determine whether it is one in which the Department can, and should, participate.

D.

REGULATORY ACTIVITIES

Current Activities:

Regulatory activities involve the administration of the Standard Container, United States Warehouse, Federal Seed, Packers and Stockyards, and Tobacco Plant and Seed Exportation Acts, and the regulatory features of the Naval Stores Act. These acts regulate various marketing activities, and the administration of each includes two or more of the following: (1) licensing or registration, (2) supervision of operations of licensees, (3) collection and testing of samples, and (4) handling of violations.

Selected Examples of Recent Progress and Trends:

1. Federal Seed Act

a. Fewer Import Actions Reflect Smaller Seed Imports

Importations of 118.8 million pounds of agricultural and vegetable seeds valued at \$13,000,000 during 1955 were 11.8 million pounds less than in 1954. Adverse weather conditions in Europe had an important bearing on the decrease in importations. However, it is expected that importations will remain at a high level in 1956 with a possibility of an increase over 1955. The importations were of 105 kinds, consisting primarily of cereal, grass and forage crops from 24 countries. The principal sources were Canada, Denmark, Holland, Italy, Great Britain, Ireland and New Zealand.

Import Activities, Fiscal Years 1952 - 1957

Activity	: 1952	: 1953	: 1954	: 1955	: 1956(Est.)	: 1957 (Est.)
Total import actions <u>1/</u>	: 8,045	: 9,427	: 9,335	: 8,095	: 9,000	: 9,400
Lots offered for importation	: 7,727	: 9,085	: 8,803	: 7,896	: 8,800	: 9,200
Lots permitted entry as offered	: 7,186	: 8,259	: 8,419	: 7,844	: 8,740	: 9,130
Lots denied entry as offered	: 541	: 403	: 340	: 52	: 60	: 70
Kinds of seed imported	: 111	: 112	: 105	: 105	: 115	: 115
Pounds of seed offered for importation (millions)	: 97.8	: 120.3	: 130.6	: 118.8	: 120.0	: 125.0

1/ Includes action taken on lots rejected once and acted on again after cleaning, etc.

b. Interstate Violations Increase in 1955

Apparent violations of the interstate provisions of the Act reported in 1955 were 6 percent more than in 1954. The 1,169 new cases involved apparent violations in 44 States. During the year there were 380 State inspectors authorized to inspect seed in interstate commerce. This shows a continuing increase in the cooperative participation of State officials in the enforcement of the interstate provisions of the Act. There was an increase in the percentage of cases involving mislabeling as to variety of seed. Hearings on proposed amendments to the regulations under the Federal Seed Act were held in July 1955. The proposed amendments will be promulgated in 1956 in order to provide better enforcement of the Act.

Interstate Investigations and Actions, Fiscal Years 1952 - 1957

Item	: 1952:	1953:	1954:	1955:	1956(Est.):	1957(Est.)
Cases for investigation:	:	:	:	:	:	:
Total to be investigated:	1,236:	1,414:	1,699:	1,806:	1,865	2,065
Investigations completed:	770:	818:	1,062:	1,239:	1,200	1,200
Pending at end of year...	466:	596:	637:	567:	665	865
Administrative actions:	:	:	:	:	:	:
No action warranted.....	231:	237:	365:	532:	420	420
Warnings issued.....	447:	485:	574:	633:	600	600
Cited for hearings.....	119:	131:	189:	114:	120	120
Seizures recommended.....	32:	21:	6:	6:	12	12
Criminal actions recommended.....	177:	33:	30:	37:	48	48
Court Actions:	:	:	:	:	:	:
Criminal actions terminated	34:	16:	13:	18:	24	30
Criminal actions pending at end of year.....	39:	19:	12:	12:	18	18
Seizure actions terminated.....	58:	26:	9:	3:	10	10
Seizure actions pending at end of year.....	9:	4:	1:	3:	5	7

c. Seed Testing

Volume of Seed Testing Work, Fiscal Years 1952 - 1957

Activity	: 1952 :	1953 :	1954 :	1955 :	1956(Est.):	1957(Est.)
Seed samples tested in connection with:	:	:	:	:	:	:
Imports	7,988:	9,501:	9,349:	8,244:	9,050	9,450
Interstate shipments..	2,950:	4,405:	2,812:	2,172:	2,400	2,600
Variety tests.....	456:	659:	149:	238:	500	500
Miscellaneous.....	1,509:	608:	796:	1,126:	1,200	1,200
Total tests.....	12,903:	15,173:	13,106:	11,780:	13,150	13,750

2. Naval Stores and Tobacco Export Permits

a. Naval Stores

During the 1955 fiscal year 176 samples, consisting of turpentine, rosin, dipentene, and competing mineral spirits paint thinners, were collected for purposes of checking condition, quality, purity, and proper label description. No wilful or fraudulent infractions of the Act were encountered but there were 23 instances in which some phase of the Act or regulations thereunder were not fully observed by vendors. Continuing surveillance of practices under the Naval Stores Act is holding the number of violations to a minimum.

a. Naval Stores--continued

The analytical results obtained on samples of steam distilled wood turpentine collected over the past 2 years, representing deliveries in tank cars and small containers, disclosed an unexpectedly large degree of failure to meet Federal specifications with respect to the quantity of residue remaining after tests are made. This situation is being followed up to determine whether a revision should be made in the standard specification for steam distilled wood turpentine.

b. Tobacco Export Permits

The number of certificates issued for exportation of tobacco seed for experimental purposes in fiscal year 1955 totaled 53. It is anticipated that about 40 such certificates will be issued in each of 1956 and 1957.

3. Packers and Stockyards Act

a. Posting, Registration and Licensing

(1) Posting, Registration and Licensing Activities as of
as of June 30, Fiscal Years 1952-1957

Activity	: 1952:	1953:	1954 :	1955:	1956(Est.):	1957(Est.)
Yards posted	327:	325:	322:	*335:	337	: 412
Market agencies and deal-	:	:	:	:	:	:
ers registered	4,963:	4,965:	4,985:	5,375:	5,360	: 5,735
Packers under supervision...	1,911:	1,914:	1,901:	1,915:	1,920	: 1,940
Poultry dealers licensed ..	1,426:	1,365:	1,324:	1,308:	1,300	: 1,300
	:	:	:	:	:	:

* An estimated additional 305 yards are eligible for posting and subsequent supervision.

(2) Proposed Marketing Charges Reduced 1/2 Million Dollars in 1955

1037 requests for increases in tariff charges, amounting to over \$1,100,000, were filed during the year. These requests were scaled down to approximately \$660,000 through informal negotiations, thus resulting in a reduction of approximately \$500,000. Bonds on file by registrants under the Act to assure payment for livestock purchased or sold totaled approximately \$47,000,000--representing an increase over the previous year of over 1/2 million dollars.

b. Supervision and Enforcement

(1) Investigations Disclose Existence of Market Practices Adversely Affecting Livestock Prices

Investigations made throughout the year disclosed instances of collusion, bribing, falsifying weights and accounts, restricting competition and other violations of the Act. There were 7 convictions under the criminal provisions of the Act and Cease and Desist Orders issued to 39 registrants under the Act. In 17 cases referred to the Justice Department the courts awarded the Government judgments totaling over \$9,000.

(2) Scale Testing

During the year 2,015 tests were made of 834 livestock scales at posted terminal and auction markets; 1,118 tests were made of 588 livestock scales owned or operated by packers; and 160 tests were made of 123 poultry scales--an average of 2.4 tests per scale. Scales found to be inaccurate were required to be adjusted before re-use.

(3) Audits reveal Infractions of the Law

There were 98 audits completed during the year which were the basis for 24 stipulations with parties subject to the Act, and 43 formal administrative actions. There were 132 informal and 10 formal complaints made by livestock shippers claiming money damages totaling approximately \$130,000, for various infractions of the Act. Six reparation complaints were pending at the end of the year totaling over \$25,000.

(4) Outlying Auction Markets Visited Only 4 Times During the Year

The number of visits to outlying auction markets again was limited to only about 4 a year. A determined effort was made to assure that all registrants operating at those markets were bonded, that the weighing of livestock was accurate, that reasonable services were provided for the charges made, and that the markets were reasonably free from unfair and deceptive trade practices which might affect the prices received for livestock. However, a one- or two-day visit every three or four months to these markets does not permit the maintenance of an adequate standard of market supervision.

(5) Analysis of Formal Proceedings under the Packers and Stockyards Act, Fiscal Years 1952 - 1957

Activity	: 1952	: 1953	: 1954	: 1955	: 1956(Est.)	: 1957(Est.)
Cases pending first	:	:	:	:	:	:
of year	78	54	33	26	43	33
New cases	26	52	29	75	67	80
Cases reopened	33	29	17	3	3	3
Total cases requiring:	:	:	:	:	:	:
action	137	135	79	104	113	116
Cases disposed of	83	102	53	61	80	80
Cases pending end of	:	:	:	:	:	:
year	54	33	26	43	33	36

4. Standard Container Acts

a. Tests Made and Samples Obtained

(1) There were approximately 175 factories making or equipped to make containers at the close of business June 30, 1955, as compared with 183 in 1954. During the past fiscal year tests were made of sample containers obtained from 101 factories.

A total of 293 items (2,137 samples) were examined during the year. Of this number 78 or 26.6 percent required correction. During the year 55 corrections were accomplished. Complaints were received of the manufacture of illegal containers in South Carolina, Virginia and Wisconsin. The Virginia firm admitted manufacture of illegal berry boxes and promised to correct them when they were again manufactured. An investigation failed to disclose any violation in the South Carolina case, and the Wisconsin complaint is still pending.

5. United States Warehouse Act

a. Number of Licensed Warehouses Increases

The number of warehouses licensed under the Act increased to 1,545 on June 30, 1955-45 more than a year ago. Of the 1,545 licensed warehouses, 980 were for grain, 498 for cotton and the remaining 67 for various other commodities. During the year the 28 new licenses together with amendments to existing licenses were issued to grain warehousemen increasing the grain storage capacity by over 100 million bushels. Sixteen new licenses were issued to cotton warehousemen and the cotton storage capacity under license was increased by about 300,000 bales. During fiscal year 1956 it is anticipated that licensed grain capacity will be further increased by about 80 million bushels and licensed cotton capacity will be increased by about 50,000 bales.

United States Warehouse Act--continued

Number of Licensed Warehouses

Year	Total Number	Capacity (millions)	
		Grain (Bushels)	Cotton (Bales)
1940	1,291	187.7	10.1
1946	1,338	271.2	10.6
1950	1,483	380.1	11.0
1951	1,467	449.4	11.0
1952	1,434	459.7	11.0
1953	1,444	484.4	10.5
1954	1,500	543.3	11.0
1955	1,545	645.0	11.8
1956(est.)	1,590	725.0	12.0
1957(est.)	1,620	760.0	12.0

b. Inspection Activities

The average number of supervisory examinations by warehouse examiners further decreased from 1.98 in 1954 to 1.60 in 1955, principally because of the growing number and increased storage capacity of licensed warehouses; abnormally large stocks of commodities to be examined; extensive activity in amending licenses to include additional warehouse space (452 amendments were processed in 1955); and fewer examiners doing the work. Although additional warehouse examiners have been and are being employed with the increase in funds allowed in the 1956 appropriation, it will be difficult to increase the current rate of examinations per warehouse because of still greater stocks on hand in licensed warehouses.

Federal warehouse receipts representing over 2 billion dollars worth of stored products are now outstanding. The responsibility for verifying the validity of these warehouse receipts as an instrument of credit by maintaining a check of the products back of them can be carried out only by making examinations.

During the year an unusual amount of time had to be devoted to a comprehensive survey of warehouse charges prevailing in the eastern half of the country. A number of other special problems arose during the year including investigation of a number of fires. Ten licenses were suspended for cause. There have been no cases reported involving loss to any depositor.

6. Federal Cost of Regulatory Activities

	1955	1956(Est.)	1957(Est.)
Total cost of activity	\$1,516,909	\$1,668,200	\$1,816,000
Less reimbursements	1,189	--	--
Paid from appropriation	1,515,720	1,668,200	1,816,000
Less income to General Revenue Fund of Treasury	83,295	75,000	75,000
Net cost to taxpayer	1,432,425	1,593,200	1,741,000
Percent of total cost charged to taxpayer	94.4	95.5	95.9
Percent of total cost covered by revenue	5.6	4.5	4.1

E. ADMINISTRATION AND COORDINATION OF STATE PAYMENTS

Current Activities

This project covers the administration and coordination of the Federal matched-fund cooperative marketing service work performed by the States with the assistance of Federal funds provided under the appropriation "Payments to States, Territories, and Possessions." During fiscal year 1955 this work was carried on through 96 approved line projects by 36 States and 3 Territories. This compares with 78 line projects in 31 States and 3 Territories in 1954.

Selected Examples of Recent Progress and Trends

A 3-day workshop, attended by 128 officials from 30 States, Territories and the Department, was held on how to improve marketing service work. Discussions were held in group sessions and individually at various meetings of the Commissioners of Agriculture and the National Association of Marketing Officials. Department Specialists visited some States to help improve the work being done in specific fields. An advisory committee representing State Departments of Agriculture received and evaluated the work under way and reached conclusions on the types of activities which should be encouraged. In order to foster cooperation among State agencies engaged in marketing work, representatives of Experiment Stations, Extension Service, and State Departments of Agriculture spent two days developing procedures and methods of coordinating the activities of these agencies in solving marketing problems.

Twenty-six reports and publications were issued by State marketing agencies in 1955 based on results of projects conducted under the matched-fund programs. A summary of activities and accomplishments of each State for each active project during 1954 was issued. A similar report will be prepared and issued covering accomplishments in 1955. These reports are sent to every State in order to give each the benefit of the experience of the others.

(b) Payments to States, Territories, and Possessions

Appropriation Act, 1956, and base for 1957	\$1,000,000
Budget Estimate, 1957	<u>1,200,000</u>
Increase (for additional marketing service work by State Departments of Agriculture and similar agencies under matched fund projects)	<u>+200,000</u>

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase	1957 (estimated)
Payments for marketing	:	:	:	:
service work under sec.	:	:	:	:
204(b) of the Agricul-	:	:	:	:
tural Marketing Act of	:	:	:	:
1946	\$900,000	\$1,000,000	+\$200,000(1)	\$1,200,000

INCREASE

(1) Increase of \$200,000 for additional matched-fund marketing service work by State Departments of Agriculture and other appropriate State Agencies.

Need for Increase. This increase is needed to assist States expand their agricultural marketing service work aimed principally at alleviating the current problems of surpluses and lowered net farm income. This work is directed toward getting wider application of available marketing research results through effective use of new and existing marketing techniques and maintaining the quality of farm products from the farmer to the consumer.

States generally have been extending their agricultural marketing programs in response to the need to offset the trend of steadily increasing marketing costs, and to the results achieved through practical accomplishments flowing from well-planned marketing service programs. Through this program, which strengthens State programs, the resources of State agencies and the wide experience of State officials engaged in marketing are effectively focused on the most urgent local and area problems, and are much more widely applied than would be possible with State funds alone. In some States, there is cooperation from industry in support of this work, and the trend of industry participation is increasing.

Since most of the important agricultural States in the country are currently cooperating in this activity, the major part of the increase would be used to expand matched-fund marketing service work in the States now in the program. The balance would be utilized to initiate the program in other States. All the current matched-fund work has been reviewed and approved by the Research and Marketing Act Advisory Committees. The projects approved for expansion will likewise be consistent with the recommendations of these Committees.

The proposed work, together with that currently being conducted under this program, will provide for the performance of practical marketing service work predominantly on a local or area basis with individual firms. Its major emphasis will be pointed at complementing the research and other phases of the intensified attack on surpluses and falling farm prices. The need to expand services is greatest in the following fields of work for which the increase would be principally used:

- (a) Increasing sales of agricultural commodities. This activity consists of finding outlets for local seasonal surpluses and of increasing consumption of products chronically in abundant supply. The continuing plentiful supplies of many farm products reflect a need for this type of service work and the success of several State Departments of Agriculture in helping growers, shippers, and processors to move surplus commodities has increased interest and justifies its expansion.

Producers are assisted in disposing of local seasonal surpluses by special services under which shippers, brokers, truckers, and other potential buyers are provided with up-to-date information on location, anticipated supplies, harvest dates and peak production periods for the products concerned. State Departments of Agriculture specialists also cooperate in programs to organize the resources of all public agencies and industry for special State and local area marketing and promotional campaigns during the surplus periods. Such campaigns are coordinated with the food trade activities of the U. S. Department of Agriculture.

Services designed to increase consumption on a long time basis include (a) assistance to producers, shippers, wholesalers, and retailers in improving the effectiveness of their year-round merchandising and advertising activities, (b) special surveys to ascertain the opinion of the trade regarding the changes shippers might make in their grading, packing, merchandising and other marketing methods to improve the consumer acceptability of their products, and (c) assistance in determining where additional outlets, such as milk vending machines, should be established to justify their permanent installation.

- (b) Improving operating efficiency and reducing costs. A portion of the increase is proposed for expanding services to assist producers, processors and others in reducing marketing costs through the application of improved methods. Recent research results indicate, for example, the savings that can be achieved through the use of newly developed fruit and vegetable containers, improved transportation methods, the adoption of such techniques as transporting milk in bulk rather than cans, and grading eggs on a case lot sample basis to avoid the examination of each egg. Studies of plant layouts and handling equipment show how efficiencies can be obtained in eviscerating poultry; aerating, drying and storing grain; handling livestock in country auction and concentration yards; handling milk in country plants and disposing of dairy plant waste; moving fruits and vegetables into, within and out of wholesale warehouses; and other types of processing and marketing operations.

- (c) Maintaining product quality. Marketing services which bear on maintaining the quality of farm products from the time they leave the farm until placed in the hands of the consumer at the retail level would be expanded. Much waste and quality losses are caused by improper methods of handling. A recent estimate placed the total annual losses experienced in the storage and marketing of farm products at \$1.5 billion. These losses plus the losses in the quality and nutritive value of the products which go into consumption increase marketing costs and hamper efforts to expand markets.

Expanding marketing services to assist in reducing these losses would include such activities as (a) solving quality problems associated with milk stored on the farm and transported in bulk tanks and milk moved through cleaned-in-place pipe line installations; (b) handling and storage techniques and equipment for grain which will prevent rodent and insect infestation and deterioration due to moisture; (c) demonstrating new objective methods and devices for measuring maturity of fruits and vegetables so that producers can more accurately determine when to harvest to insure maximum shipping or processing quality; and (d) demonstrating ways of avoiding bruising and loss of condition of poultry and livestock as they move through the marketing system.

Plan of Work. Based on the approval by the Department of Agriculture of projects proposed by the States, which will most effectively carry out the objectives of the program, funds would be paid to the States. These funds, with at least an equal amount supplied by the States, would be used by the State to carry on the work under the approved projects.

STATUS OF PROGRAM

Current Activities:

By getting practical application of improved marketing practices through work by State Departments of Agriculture and similar State agencies, which are familiar with local and area marketing problems, this program expands outlets for farm products, reduces losses by improving efficiency in handling and preparation for market, and in other ways such as securing adoption of improved methods of selection and grading, and moving seasonal surpluses to their best market, and increases returns to farmers from the marketing of their products.

Allotments to States as authorized by Section 204(b) of the Agricultural Marketing Act of 1946 are made under cooperative agreements between the United States Department of Agriculture and State Departments of Agriculture, Bureaus of Markets and similar State agencies, for the conduct of eligible marketing service activities on a matched-fund basis.

No formula is applied for distribution of these payments. Payments to each State are based upon an evaluation of the relative urgency of the marketing service problems confronting the State; the probable effectiveness of the proposed plans for solving or alleviating the problems; the ability of the State to carry out the programs proposed; and the availability of matching funds.

Thirty-eight States, Puerto Rico, Hawaii, and Alaska are attacking marketing problems with the assistance provided by the payments authorized in this program, under approximately 100 separate projects which substantially follow the Research and Marketing Act Advisory Committees' recommendations and cover all of the major and many of the minor agricultural commodities.

Selected Examples of Recent Progress:

1. Returns for West Virginia burley tobacco growers increased.

The tobacco grading and handling demonstration and assistance program conducted by the West Virginia Department of Agriculture, as a matched-fund marketing service project, was primarily responsible for West Virginia producers receiving a premium of \$3.40 per 100 pounds above the average for the Burley Tobacco Belt. As part of this program, a State Department of Agriculture specialist was available at the market to demonstrate methods of displaying tobacco, and on sales days, to advise producers as to the price their crop should bring and the feasibility of regrading for later sale if the price offered was considered too low.

2. North Dakota butter quality improved.

As a result of work by State personnel cooperating with cream stations and creameries in grading cream and taking sediment tests, a higher quality of North Dakota butter has been produced through the use of higher quality cream. This resulted in an estimated additional income of \$100,000 from butter sales last year. In addition, the proportion of cream arriving undergraded at the plant has been reduced to about 2 percent - an all-time low.

3. Maryland sweet corn producers profits increased and markets expanded.

Maryland producers and retail chain stores in Washington and Baltimore were assisted in developing a joint quality maintenance program for fresh sweet corn. The program, which included staggered plantings to assure a steady supply throughout the season, and the use of various devices for cooling after picking, resulted in a substantial increase in corn sales in cooperating stores. Producers realized an increase in net profit, after considering increased costs, of two cents per dozen over the profits realized for corn handled in the usual manner.

4. More dependable methods of forecasting fruit production developed in California and Michigan.

At the request of Marketing Order Advisory Boards, the California Department of Agriculture began last year to test the feasibility of using objective sampling methods to forecast more accurately the production of Bartlett pears and Cling peaches. These tests appear promising and are yielding a considerable amount of valuable related data as a by-product for use in marketing, such as early indications of sizes and grades at maturity.

In Michigan, work has been conducted on the development of more dependable methods for forecasting sour cherry production. Yield per tree and likely production can be estimated with increased accuracy by using, as a basis, the recent tree count, growers' reported percent of full crop, and an index of crop maturity based on daily maximum temperatures.

5. Technical assistance provided in packaging Wisconsin cheese.

As a means of maintaining and expanding sales and prolonging the shelf-life of Wisconsin cheese, technical assistance was provided in the development of packages designed to (a) maintain quality of cheese for longer periods, (b) attract the attention of consumers with respect to design, weight, size, and shape, and (c) effect economies in packaging operations, handling, and storage. As part of this work, retail cheese counters in Wisconsin and out-of-state stores were checked for moldy packages and recommended procedures developed to reduce mold in pre-packaged cheese.

6. Market outlets for Maine potatoes expanded.

After an experimental merchandizing program showed the possibilities of increased sales for Maine potatoes through the packaging and sale of sized and washed potatoes in polyethylene bags, the Maine Department of Agriculture assisted the Maine Potato Tax Committee in directing a special promotional program aimed at encouraging this method of preparation for market. Greater consumer acceptance and increased sales in the past year, resulting from this program have been accompanied by an increase from 4 to 12 in the number of packing plants with washing installations.

7. Minnesota honey producers profited from grading program.

With the help of state specialists, the honey industry has developed grades and standards for their product. The grades established were the table grades, Minnesota fancy and choice, and the baking and cooking grade, Minnesota standard. Beekeepers believe that the practice of selling by grade primarily accounted for the price in 1954 averaging 5 cents per pound higher than in the previous year, and for the increased interest on the part of wholesalers and retailers in handling honey. This price increase resulted in added gross receipts to the industry of \$900,000.

8. Quality improvement of North Carolina cotton fiber continued.

In North Carolina, assistance was provided in the establishment and operation of improved and new ginning facilities to maintain fiber quality. New ginning machinery and equipment, valued at over 1/2 million dollars, was installed by ginners with the assistance of members of the State Department of Agriculture staff. Gin damaged or "rough prep" cotton has been reduced from 15 to .01 percent of the crop in the six years this program has been in operation. This program also includes encouraging the sale of cotton by producers and ginners on the basis of laboratory tests showing fiber length, strength, fineness, uniformity, maturity, and other characteristics. The volume sold on this basis has increased steadily in recent years.

9. Experimental market news program demonstrated usefulness for Illinois poultry and eggs.

Prior to the initiation of the poultry and egg experimental market news service in 1952, producers and dealers at country points in Illinois had only the Chicago and St. Louis terminal market quotations on which to base their market decisions. This service, under which local market prices by grades and supply and demand conditions were reported biweekly, proved sufficiently useful to warrant the State continuing it on a permanent basis financed entirely from State funds.

10. Citrus tree count in Florida to be completed in fiscal year 1956.

The cooperative project providing for a count of all citrus trees in Florida progressed at a rapid rate during the past year. The project involves a count of the trees in each grove and the collection of an array of information concerning the variety, age, root stock, and general condition of the trees. Through May 1, 1955 a little more than half of the trees, or approximately 13 million, had been counted. It is expected that the project will be completed during fiscal year 1956.

11. Expanded Mississippi watermelon production marketed profitably.

In Mississippi 20,000 acres previously in cotton were planted to watermelons this past year. To assist in moving these large additional melon supplies, 25,000 buyers in various parts of the country were circularized with pamphlets containing detailed maps showing each production area with anticipated volume of production and harvest dates, road systems serving each area, and the addresses of the various shipping agencies. Buyers were also contacted personally to gain their cooperation. As a result, trucks came into the State in large numbers and growers moved their melons at a net profit of \$70.00 to \$100.00 per acre.

12. Kentucky egg producers benefited by marketing program.

A total of 125,000 dozen eggs were handled through the new local grading stations established and operated with the guidance of State Department of Agriculture specialists and brought producers an average premium of 8 cents per dozen. This program included guidance in the establishment and operation of local egg grading stations, distribution of leaflets summarizing points to remember in grading, candling, and packing eggs, and assistance to dealers in selecting and installing cooling units.

Distribution of Payments.

The distribution of allotments by States is shown in Table I.

DISTRIBUTION OF ALLOTMENTS BY STATES

	Actual 1955	Estimated 1956
Alabama	\$13,800.00	\$23,210.00
Arizona	- -	- -
Arkansas	2,000.00	13,215.00
California	92,038.00	85,750.00
Colorado	21,756.92	5,105.00
Connecticut	- -	- -
Delaware	- -	- -
Florida	62,500.00	40,000.00
Georgia	- -	13,300.00
Idaho	- -	- -
Illinois	21,000.00	27,210.00
Indiana	37,938.33	47,540.00
Iowa	10,000.00	10,000.00
Kansas	43,000.00	49,285.00
Kentucky	20,956.22	23,955.00
Louisiana	41,275.00	78,350.00
Maine	25,500.00	40,500.00
Maryland	17,000.00	17,510.00
Massachusetts	3,498.41	7,700.00
Michigan	12,661.75	18,450.00
Minnesota	28,745.32	23,960.00
Mississippi	33,050.00	36,340.00
Missouri	- -	35,000.00
Montana	1,440.78	2,695.00
Nebraska	2,813.00	- -
Nevada	- -	- -
New Hampshire	- -	- -
New Jersey	6,400.00	2,660.00
New Mexico	- -	- -
New York	26,471.00	24,210.00
North Carolina	63,041.00	54,855.00
North Dakota	11,000.00	24,000.00
Ohio	3,000.00	11,500.00
Oklahoma	23,000.00	20,000.00
Oregon	1,750.00	6,895.00
Pennsylvania	7,000.00	17,000.00
Rhode Island	- -	- -
South Carolina	6,027.50	6,140.00
South Dakota	4,000.00	4,815.00
Tennessee	12,343.24	14,525.00

TABLE I

	:	Actual	:	Estimated
	:	1955	:	1956
Texas	:	18,500.00	:	18,500.00
Utah	:	- -	:	- -
Vermont	:	- -	:	- -
Virginia	:	43,949.99	:	38,140.00
Washington	:	21,275.19	:	32,000.00
West Virginia	:	32,000.00	:	32,000.00
Wisconsin	:	69,786.55	:	65,995.00
Wyoming	:	10,000.00	:	6,900.00
Alaska	:	10,403.48	:	3,800.00
Hawaii	:	- -	:	- -
Puerto Rico	:	39,078.32	:	16,990.00
GRAND TOTAL	:	\$900,00.00	:	\$1,000,000.00

(c) School Lunch Program

Appropriation Act, 1956	\$83,236,197
Activities transferred in the 1957 estimates to "Salaries and Expenses, Office of the Secretary of Agriculture" for personnel investigations	-985
Base for 1957	83,235,212
Budget estimate, 1957	83,236,000
Increase (in operating expenses to round off the estimate).	<u>+788</u>

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase	1957 (estimated)
1. Food assistance:				
(a) Cash payments	\$69,142,000	\$67,010,000	- -	\$67,010,000
(b) Commodity procurement (Sec. 6)	12,835,561	14,930,000	- -	14,930,000
2. Operating expenses ..	1,130,789	1,295,212	+\$788(1)	1,296,000
Unobligated balance	127,092	- -	- -	- -
Total pay act costs (P. L. 94)	[20,683]	[70,000]	- -	[70,000]
Total available or estimate	83,235,442	83,235,212	+788	83,236,000
Transfer in 1957 estimates to "Salaries and expenses, Office of the Secretary of Agriculture"	+755	+985		
Total appropriation or estimate	83,236,197	83,236,197		

INCREASE

(1) Increase of \$788 in operating expenses to round off the estimate.

The School Lunch Program is designed to:

1. Broaden the market for agricultural food commodities by:
 - a. Providing an expanded market for agricultural commodities through local purchases of food by school lunch programs in commercial channels of trade.
 - b. Serving as a valuable outlet for agricultural commodities purchased by the Department to alleviate local and seasonal surpluses;
 - c. Expanding the outlet for highly nutritious foods, particularly in areas of nutritional deficiencies;
 - d. Introducing a wider variety of foods, thus creating a demand for commodities that many housewives would not otherwise buy.
2. Improve the health and well-being of the Nation's children by:
 - a. Providing them a well-balanced lunch at school to help fill their daily nutritional requirements.

Experience indicates that children who get lunch under this program, compared with those who do not, show:

 - (1) more rapid gain in weight and height;
 - (2) better attendance records;
 - (3) improvement in scholastic standing;
 - (4) better deportment;
 - (5) higher resistance to colds and other illnesses.
 - b. Developing proper and nutritionally beneficial food habits which will continue in later life.

Current activity under the program includes:

1. Furnishing cash assistance to schools for food purchases by:
 - a. Apportioning among the States and Territories a minimum of 75 percent of the total funds available on the basis of need as indicated by:
 - (1) State per capita income compared with United States per capita income;
 - (2) State population of children 5 to 17 years of age.

- b. Paying the apportioned funds to State agencies on a quarterly basis to enable them to reimburse participating schools for a portion of the food costs of lunches served when the schools:
 - (1) agree to operate on a nonprofit basis;
 - (2) serve meals meeting minimum nutritional standards prescribed by the Secretary of Agriculture;
 - (3) offer luncheon to all children attending the school and serve it free or at reduced cost to children who are unable to pay the full cost;
 - (4) agree to purchase commodities designated by the Secretary of Agriculture as being in abundance.
 - c. Paying the funds directly to participating private schools in the 27 States and Hawaii where State laws forbid disbursement of Federal funds by State agencies to private schools. (A proportionate share of the State's total apportionment is set aside for this purpose.)
2. Furnishing food items to schools for lunch programs by distributing to schools through State distributing agencies, commodities acquired under:
- a. Section 6, National School Lunch Act. Commodities are purchased on the basis of their nutritional value and acceptability, and distributed to schools participating in the school lunch program under this act.
 - b. Removal of Surplus Agricultural Commodities (Section 32). Surplus commodities are purchased for donation to authorized outlets, including all eligible school lunch programs.
 - c. Commodity Credit Corporation. Commodities acquired under price support programs may be donated to authorized outlets, including all eligible school lunch programs. (Section 416, Agricultural Act of 1949, as amended.)
3. Furnishing administrative and technical assistance to State agencies and participating schools with respect to:
- a. handling of funds
 - b. purchase and storage of food
 - c. proper use of equipment
 - d. preparation and serving of meals
 - e. maintenance of records and preparation of reports.

4. Making reviews and audits which provide for:

- a. annual audits of the records of State agencies and selected schools;
- b. comprehensive administrative analyses of State agencies' operations under the program;
- c. administrative reviews in individual schools as necessary.

Examples of recent progress and trends:

The School Lunch Program furnished noon-day meals to about 1/3 of the Nation's 35,000,000 school children in the fiscal year 1955. This program also utilized 2.5 billion pounds of food, of which 2.2 billion pounds were purchased in local markets and .3 billion pounds were donated by the Department.

A. Participation reached 11.0 million children in 1955--an all time high

Participation in the National School Lunch Program
Fiscal Years 1954 and 1955, by month

Month	Number of Schools		Number of Children	
	Fiscal Years			
	1954	1955	1954	1955
July.....	1,558:	1,426:	176,234:	170,225
August.....	5,483:	7,537:	709,451:	855,827
September.....	49,641:	50,489:	8,813,754:	9,727,686
October.....	53,864:	56,363:	9,814,172:	10,775,330
November.....	56,337:	58,465:	10,139,221:	10,971,414
December.....	57,010:	58,687:	9,982,303:	10,876,731
January.....	57,479:	59,329:	9,970,965:	10,958,236
February.....	57,748:	59,057:	9,878,021:	10,499,074
March.....	57,701:	59,592:	9,769,436:	10,600,555
April.....	56,710:	58,814:	9,315,847:	10,365,213
May.....	52,367:	54,497:	8,832,898:	9,875,757
June.....	18,456:	18,974:	3,338,064:	3,666,763
	:	:	:	:
Average, Sept. - June...	51,731:	53,428:	8,985,468:	9,831,656
Peak number.....	57,748:	59,592:	10,139,221:	10,971,414
	:	:	:	:
Peak Month.....	February	March	November	November

Year to year comparisons in number of schools participating are affected by the school consolidation program.

B. Number of Each Type of Meal Served and Federal Reimbursement Rate

	<u>No. of Meals Served: Federal Reimbursement Rates 1/</u>			
	1954	1955	1954 (Avg.)	1955 (Avg.)
	(billion)		(cents)	
Type A Meal (1/3 - 1/2 daily nutritional needs).....	1,335	1,476	4.8 2/	4.4 2/
Type B Meal (same as A but in smaller quantities).....	11	5	3.2 2/	3.0 2/
Type C Meal (1/2 pint of milk only).....	315	322	1.1	1.1
Total.....	1,661	1,803	4.0	3.8
Meals served free or at reduced prices....	173	187	---	---

1/ Maximum rate permitted: Type A-9 cents; Type B-6 cents; Type C-2 cents.
2/ Average rate per complete meal with milk.

C. Method of Financing the Program

Estimated Funds, by Sources

Item	Fiscal Year		
	1954 Amount:	1955 Amount:	1956 Amount(Est.)
<u>Federal Contribution:</u>			
<u>Direct appropriation</u>			
School Lunch Act:			
Cash payments.....	\$ 67,266,000	69,142,000	67,010,000
Section 6.....	14,826,278	12,830,253	14,930,000
Total.....	82,092,278	81,972,253	81,940,000
<u>Donated commodities</u>			
Section 32.....	94,217,791	26,936,287	103,400,000
Section 416.....	---	43,369,550	26,100,000
Total.....	94,217,791	70,305,837	129,500,000
<u>Special milk program....</u>	---	17,224,000	50,000,000
Total, Federal Contribution.....	176,310,069	169,502,090	261,440,000
<u>State Contribution:</u>			
State and local government contributions.....	62,962,000	68,000,000	75,000,000
Other local contributions:	51,782,000	57,000,000	65,000,000
Payments by children....	303,276,000	337,535,000	355,000,000
Total, State contributions.....	418,020,000	462,535,000	495,000,000
Total.....	594,330,069	632,037,090	756,440,000

D. Benefits to Agriculture:

Commodities utilized during 1955 in the School Lunch Program cost approximately \$405.9 million. Of this amount, about \$322.8 million was expended by schools locally--both Federal and State funds. The remaining \$83.1 million is the estimated cost of 297.6 million pounds of commodities which the Department purchased and distributed to schools under Section 6 of the National School Lunch Act, Section 32 of the Act of 1935, as amended, and Section 416 of the Agricultural Act of 1949.

E. Commodities Distributed to the School Lunch Programs during
Fiscal Years 1954 and 1955:

Program and Commodity	Fiscal Year 1954		Fiscal Year 1955	
	Pounds	Amount	Pounds	Amount
<u>Section 6 - School</u>	:	:	:	:
<u>Lunch Act:</u>	:	:	:	:
Apricots.....	4,028,702	\$ 1,488,661	---	---
Beans, canned.....	---	---	8,362,897	\$ 836,290
Beans, dry.....	11,925,049	1,143,651	---	---
Grapefruit, canned..	6,836,680	832,877	12,031,720	1,523,216
Orange juice,	:	:	:	:
concentrate.....	8,941,376	1,960,844	5,585,987	997,099
Peaches, canned.....	34,679,938	4,393,948	36,161,297	4,520,162
Peanut butter.....	5,667,598	1,427,407	5,474,579	1,461,165
Peas, canned.....	11,822,736	1,270,944	9,428,178	901,334
Tomatoes, canned....	17,487,697	1,727,841	20,139,366	1,971,644
Tomato paste.....	4,099,350	580,105	4,706,254	619,343
Total.....	105,489,126	14,826,278	101,890,278	12,830,253*
*Excludes \$5,308 representing loss in shipment and failure to meet specifications.				
<u>Section 32:</u>	:	:	:	:
Beans, dry.....	1,978,316	237,398	26,996,847	2,834,669
Beef.....	14,737,295	44,977,972	25,276,464	10,148,500
Butter.....	42,614,982	29,532,182	6,627,461	4,031,484
Cheese.....	26,683,816	10,406,690	5,495,078	2,202,977
Cottonseed oil.....	15,207,144	3,754,271	25,662,660	5,774,099
Cranberry sauce,	:	:	:	:
canned.....	---	---	5,667,424	575,810
Deciduous fruits....	8,068,000	628,824	---	---
Figs, canned.....	---	---	3,361,636	436,004
Honey.....	4,210,410	837,872	451,665	81,480
Milk.....	13,462,379	2,753,056	4,474,987	850,248
Olive oil.....	713,991	277,957	---	---
Potatoes.....	17,730,000	418,430	43,400	1,016
Tree nuts.....	581,550	393,139	---	---
Total.....	245,987,883	94,217,791	104,057,622	26,936,287
<u>Section 416:</u>	:	:	:	:
Butter.....	---	---	42,174,366	28,286,347
Cheese.....	---	---	24,779,598	10,543,719
Milk.....	---	---	17,994,910	3,510,807
Rice.....	---	---	6,749,851	1,028,677
Total.....	---	---	91,698,725	43,369,550
Grand Total....	34,477,009	109,044,069	297,646,625	83,136,090

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
NATIONAL SCHOOL LUNCH PROGRAM

SL-1-56

APPORTIONMENT BY STATES OF FUNDS AVAILABLE FOR THE NATIONAL SCHOOL LUNCH PROGRAM
Fiscal Year 1956

State	Per Capita Income in 1953 (U.S. \$1,709)	Per Capita Income Index a/ -2-	Population 5-17 years July 1, 1953 -3-	State Index b/ -4-	State Quotient -5-	Total Apportionment c/ -6-	State Agency -7-	Private Schools -8-	Matching Percent Required d/ -9-
Alabama	\$ 1,043	1.63854	832,000	1,363,265.28	.0346340	\$ 2,320,824	\$ 2,258,434	\$ 62,390	183.08952
Alaska	2,400	.71208	33,000	23,498.64	.0005970	40,005	40,005	--	300.00000
Arizona	1,473	1.16022	227,000	263,369.94	.0066910	448,364	423,000	25,364	258.57225
Arkansas	939	1.82002	507,000	922,750.14	.0234426	1,570,889	1,543,538	27,351	164.83323
California	2,039	.83816	2,342,000	1,962,970.72	.0498696	3,341,762	3,341,762	--	300.00000
Colorado	1,675	1.02030	309,000	315,272.70	.0080095	536,717	485,226	51,491	294.03159
Connecticut	2,194	.77894	427,000	332,607.38	.0084499	566,228	566,228	--	300.00000
Delaware	2,304	.74175	73,000	54,147.75	.0013756	92,179	75,803	16,376	300.00000
District of Columbia	2,109	.81034	135,000	109,395.90	.0027792	186,234	186,234	--	300.00000
Florida	1,368	1.24927	694,000	866,993.38	.0220261	1,475,969	1,403,944	72,025	240.14043
Georgia	1,184	1.44341	924,000	1,333,710.84	.0338831	2,270,507	2,270,507	--	207.84084
Guam	1,600	(2.04916)	13,000	26,639.08	.0006768	45,352	38,311	7,041	280.86600
Hawaii	1,676	1.01969	124,000	126,441.56	.0032123	215,256	179,292	35,964	294.20715
Idaho	1,411	1.21120	155,000	187,736.00	.0047695	319,604	309,612	9,992	247.68870
Illinois	2,088	.81849	1,795,000	1,469,189.55	.0373290	2,501,148	2,501,148	--	300.00000
Indiana	1,834	.93184	901,000	839,587.84	.0213299	1,429,317	1,429,317	--	300.00000
Iowa	1,518	1.12582	572,000	643,969.04	.0163601	1,096,290	977,882	118,408	266.47161
Kansas	1,550	1.10258	426,000	469,699.08	.0119328	799,617	799,617	--	272.08893
Kentucky	1,167	1.46444	745,000	1,091,007.80	.0277172	1,857,330	1,857,330	--	204.85665
Louisiana	1,249	1.36829	729,000	997,483.41	.0253412	1,698,114	1,698,114	--	219.25101
Maine	1,369	1.28336	208,000	259,658.88	.0065967	442,045	365,600	76,445	240.31596
Maryland	1,857	.92030	542,000	498,802.60	.0126722	849,164	706,146	143,018	300.00000
Massachusetts	1,812	.94316	953,000	898,831.48	.0228349	1,530,167	1,530,167	--	300.00000
Michigan	2,003	.85322	1,510,000	1,288,362.20	.0327310	2,193,304	1,855,421	337,883	300.00000
Minnesota	1,547	1.10472	682,000	753,419.04	.0191407	1,282,618	1,075,416	207,202	271.56231
Mississippi	834	2.04916	601,000	1,231,545.16	.0312876	2,096,582	2,096,582	--	146.40141
Missouri	1,652	1.03450	839,000	867,945.50	.0220503	1,477,591	1,477,591	--	289.99416
Montana	1,689	1.01184	143,000	144,693.12	.0036759	246,322	219,678	26,644	296.48916
Nebraska	1,533	1.11481	289,000	322,180.09	.0081850	548,477	481,832	66,645	269.10474
Nevada	2,175	.78575	41,000	32,215.75	.0008184	54,841	52,965	1,876	300.00000
New Hampshire	1,620	1.05494	111,000	117,098.34	.0029749	199,348	199,348	--	284.37684
New Jersey	2,095	.81575	992,000	809,224.00	.0205585	1,377,625	1,086,077	291,548	300.00000
New Mexico	1,347	1.26875	204,000	258,825.00	.0065755	440,624	440,624	--	236.45406
New York	2,158	.79194	2,854,000	2,260,196.76	.0574206	3,847,754	3,847,754	--	300.00000
North Carolina	1,097	1.55789	1,094,000	1,704,331.66	.0432988	2,901,453	2,901,453	--	192.56874
North Dakota	1,295	1.31969	154,000	203,232.26	.0051631	345,979	311,593	34,386	227.32593
Ohio	2,012	.84940	1,757,000	1,492,395.80	.0379145	2,540,651	2,152,598	388,053	300.00000
Oklahoma	1,327	1.26787	537,000	691,586.19	.0175698	1,177,352	1,177,352	--	232.94325
Oregon	1,724	.99130	342,000	339,024.60	.0086130	577,157	577,157	--	300.00000
Pennsylvania	1,822	.93798	2,224,000	2,086,067.52	.0529968	3,551,316	2,866,021	685,295	300.00000
Puerto Rico	425	(2.04916)	774,000	1,586,049.84	.0429938	2,700,088	2,700,088	--	74.60502
Rhode Island	1,749	.97713	155,000	151,455.15	.0038477	257,834	257,834	--	300.00000
South Carolina	1,095	1.56073	615,000	959,848.95	.0243851	1,634,046	1,616,417	17,629	192.21768
South Dakota	1,362	1.25477	153,000	191,979.81	.0048773	326,828	300,011	26,817	239.08719
Tennessee	1,186	1.44098	825,000	1,188,808.50	.0302019	2,023,829	1,970,623	53,206	208.19193
Texas	1,480	1.15473	1,945,000	2,245,949.85	.0570587	3,823,503	3,823,503	--	259.80105
Utah	1,510	1.13179	191,000	216,171.89	.0054919	368,012	362,600	5,412	265.06728
Vermont	1,401	1.21984	88,000	107,345.92	.0027271	182,743	182,743	--	245.93328
Virginia	1,361	1.25569	817,000	1,025,898.73	.0260631	1,746,488	1,685,605	60,883	238.91163
Virgin Islands	515	(2.04916)	8,600	17,622.78	.0004477	30,000	30,000	--	90.40374
Washington	1,882	.90808	525,000	476,742.00	.0121117	811,605	752,712	58,893	300.00000
West Virginia	1,257	1.35959	508,000	690,671.72	.0175466	1,175,798	1,149,212	26,586	220.65534
Wisconsin	1,712	.99825	772,000	770,649.00	.0195785	1,311,955	1,008,056	303,899	300.00000
Wyoming	1,650	1.03576	71,000	73,538.96	.0018683	125,195	125,195	--	289.64307
TOTAL	--	--	35,487,600	39,362,105.08	1.0000000	67,010,000	63,771,278	3,238,722	--

a/ United States per capita income (\$1,709) divided by State per capita income, except for Guam, Puerto Rico and the Virgin Islands which are assigned the same per capita income index as Mississippi in accordance with the amendment to Section 4 of the National School Lunch Act. This amendment provides that the apportionment to Guam, Puerto Rico and the Virgin Islands shall not exceed 3 percent of the funds appropriated except that in the case of the first apportionment from any annual or supplemental appropriation, the apportionment to Guam, Puerto Rico and the Virgin Islands shall not be less than that amount which will result in an allotment per child of school age equal to the allotment per child of school age in the State (other than Guam, Puerto Rico and the Virgin Islands) having the lowest per capita income among the States participating in such first apportionments.

b/ Per capita income index multiplied by population of ages 5-17, inclusive.

c/ Total of funds apportioned multiplied by State quotients. Under the National School Lunch Act, as amended, not less than 75 percent of the total funds available must be apportioned to the States and Territories. Breakdown between State agency and private schools is based on relative enrollment in public and nonprofit private schools as provided in Section 10 of the National School Lunch Act for any State in which the State Educational Agency by law is not permitted to disburse funds paid to it under this Act to nonprofit private schools.

d/ According to Section 7 of the National School Lunch Act, during fiscal 1956 each State must match three dollars for each dollar of the Federal Government's apportionment to the State, except that, in the case of a State in which the per capita income is below that of the United States, the matching ratio required is decreased by the percentage which the State's per capita income is below the per capita income of the United States. The actual amount of funds required for matching is then determined by taking this percentage of the amount of the total Federal apportionment to the State.

FED

June 24, 1955

Agriculture-Washington

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Table II

Estimated Value of Commodities Distributed to the School Lunch Program
Fiscal Year 1955

State	Section 6	Section 32	Section 416	Total
Alabama	\$438,795	\$1,220,737	\$1,304,434	\$2,963,966
Arizona	101,393	101,069	427,582	630,044
Arkansas	264,800	1,103,700	1,090,274	2,458,774
California	560,522	2,653,270	2,427,406	5,641,198
Colorado	106,531	409,855	436,169	952,555
Connecticut	110,497	207,144	466,477	784,118
Delaware	19,226	33,579	95,149	147,954
District of Columbia ..	12,598	16,695	59,689	88,982
Florida	376,151	435,075	1,195,591	2,006,817
Georgia	503,167	814,226	1,562,261	2,879,654
Idaho	76,525	66,366	183,815	326,706
Illinois	462,746	672,559	1,343,855	2,479,160
Indiana	292,280	412,904	1,070,580	1,775,764
Iowa	254,298	206,308	457,426	918,032
Kansas	150,972	347,569	534,566	1,033,107
Kentucky	347,168	845,724	1,263,787	2,456,679
Louisiana	648,311	1,304,579	1,974,009	3,926,899
Maine	65,056	113,058	211,511	389,625
Maryland	151,190	161,896	431,187	744,273
Massachusetts	204,031	180,232	1,529,625	1,913,888
Michigan	329,142	549,431	901,700	1,780,273
Minnesota	325,766	432,220	770,087	1,528,073
Mississippi	295,217	535,154	803,310	1,633,681
Missouri	358,370	398,940	850,201	1,607,511
Montana	48,989	76,301	131,298	256,588
Nebraska	68,106	98,954	256,202	423,262
Nevada	10,141	5,796	41,802	57,739
New Hampshire	45,509	59,503	221,661	326,673
New Jersey	165,871	125,754	901,970	1,193,595
New Mexico	60,447	233,752	254,325	548,524
New York	700,271	989,625	2,453,498	4,143,394
North Carolina	644,756	1,093,305	1,835,138	3,573,199
North Dakota	69,997	75,753	240,721	386,471
Ohio	610,753	998,551	1,222,401	2,831,705
Oklahoma	240,633	1,657,788	2,042,683	3,941,104
Oregon	152,377	225,315	381,576	759,268
Pennsylvania	421,067	778,643	1,657,051	2,856,761
Rhode Island	28,805	47,024	174,152	249,981
South Carolina	348,618	707,632	771,664	1,827,914
South Dakota	46,398	43,682	163,613	253,693
Tennessee	477,343	1,680,358	1,020,026	3,177,727
Texas	628,445	1,625,708	2,415,405	4,669,558
Utah	110,994	212,051	266,457	589,502
Vermont	39,680	53,981	178,152	271,813
Virginia	296,146	654,330	1,468,842	2,419,318
Washington	218,636	317,138	763,613	1,299,387
West Virginia	218,843	340,375	735,215	1,294,433
Wisconsin	212,149	335,887	479,972	1,028,008
Wyoming	29,057	24,764	80,509	134,330
Subtotal ...	12,348,783	25,681,260	41,548,637	79,581,680
Alaska	3,661	11,025	36,631	51,317
Hawaii	127,825	326,515	344,355	798,695
Puerto Rico	340,354	888,369	1,419,887	2,648,610
Virgin Islands	9,630	23,118	20,040	52,788
Subtotal ...	481,470	1,252,027	1,820,913	3,554,410
TOTAL	12,830,253	26,936,287	43,369,550	83,136,090

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
NATIONAL SCHOOL LUNCH PROGRAM
NUMBER OF CHILDREN AND SCHOOLS PARTICIPATING
Fiscal Year 1955

SL-2-55

State	Children in Elementary and Secondary Schools			Elementary and Secondary Schools	
	Total	Number	Percent	Number	
	Enrollment 1/	Participating 2/	Participation	Participating 2/	
	-1-	-2-	-3-	-4-	
NORTHEAST					
Connecticut	429,283	82,629	19.2	406	
Delaware	68,797	15,995	20.3	92	
District of Columbia	125,046	43,673	34.9	181	
Maine	213,828	63,691	29.8	615	
Maryland	531,316	114,947	21.6	587	
Massachusetts	864,291	383,028	44.3	1,962	
New Hampshire	109,630	29,281	26.7	307	
New Jersey	1,030,569	123,905	12.0	716	
New York	2,928,316	1,085,637	37.1	3,612	
Pennsylvania	2,188,868	321,940	14.7	1,597	
Rhode Island	150,269	22,821	15.2	126	
Vermont	79,946	27,488	34.4	310	
West Virginia	458,472	145,815	31.8	1,505	
Area	9,178,631	2,458,850	26.8	12,016	
SOUTHEAST					
Alabama	722,412	309,823	42.9	1,436	
Florida	628,514	262,303	41.7	935	
Georgia	905,541	334,846	37.0	1,427	
Kentucky	634,962	251,975	39.7	1,288	
Mississippi	553,681	207,832	37.5	1,065	
North Carolina	1,026,259	509,343	49.6	1,613	
South Carolina	507,264	244,532	48.2	1,079	
Tennessee	731,974	330,791	45.2	1,926	
Virginia	725,743	278,841	38.4	1,313	
Area	6,436,350	2,730,286	42.4	12,082	
MIDWEST					
Illinois	1,827,315	665,017	36.4	3,463	
Indiana	879,588	258,455	29.4	1,335	
Iowa	600,882	176,125	29.3	1,042	
Michigan	1,521,414	455,208	29.9	2,273	
Minnesota	677,872	231,585	34.2	1,269	
Missouri	836,751	247,055	29.5	2,229	
Nebraska	272,380	65,634	24.1	491	
North Dakota	133,661	48,539	36.3	791	
Ohio	1,740,394	450,910	24.8	1,910	
South Dakota	143,326	28,549	19.9	290	
Wisconsin	717,836	157,704	22.0	1,696	
Area	9,351,419	2,764,781	29.6	16,789	
SOUTHWEST					
Arkansas	437,381	180,878	41.4	965	
Colorado	293,390	75,843	25.9	621	
Kansas	421,587	105,441	25.0	973	
Louisiana	669,637	439,995	65.7	1,601	
New Mexico	207,611	40,582	19.5	272	
Oklahoma	465,535	163,382	35.1	1,771	
Texas	1,772,026	432,652	24.4	2,549	
Area	4,267,167	1,438,773	33.7	8,752	
WESTERN					
Arizona	196,970	70,978	36.0	311	
California	2,467,339	753,032	30.5	3,380	
Idaho	143,246	49,938	34.9	416	
Montana	130,966	32,684	25.0	261	
Nevada	43,516	9,646	22.2	76	
Oregon	337,481	102,734	30.4	654	
Utah	188,830	68,008	36.0	382	
Washington	526,657	149,778	28.4	952	
Wyoming	66,782	19,727	29.5	128	
Area	4,101,787	1,256,525	30.6	6,540	
CONTINENTAL U. S.	33,335,354	10,649,215	31.9	56,179	
TERRITORIES					
Alaska	26,021	2,348	9.0	16	
Hawaii	114,349	81,414	71.2	172	
Puerto Rico	545,771	234,150	42.9	2,063	
Virgin Islands	7,540	4,287	56.9	35	
Territories	693,681	322,199	46.4	2,286	
U. S. & TERRITORIES	34,029,035	10,971,414	32.2	58,465	

1/ Source: Latest data available from the U. S. Office of Education. Enrollment data for public schools is for 1954-55 except for Hawaii and Virgin Islands for which 1951-52 data is used. Private school enrollment is for 1951-52.

2/ November 1954. The number of schools and children may have been higher in some States during other months but November was the peak month in terms of children participating nationally.

STATUS OF SPECIAL SCHOOL MILK PROGRAM

Operation of Program

The Special School Milk Program, authorized by the Agricultural Act of 1954, provides for the use of not to exceed \$50,000,000 of Commodity Credit Corporation funds for each of the fiscal years 1955 and 1956 to be used to increase the consumption of fluid milk by children in non-profit schools of high school grade and under.

Its purpose is to expand the markets for fluid milk and supplement the diets of growing children. The program is operated as follows:

- a. Funds are divided among the States on the basis of the number of school children between the ages of 5 to 17, inclusive, and the State's per capita income. The formula for cash payments to States under the School Lunch Program is used in allotting the funds to the States.
- b. The program is operated within the State by the State educational agency.
- c. For schools serving type A or B lunches under the National School Lunch Program, reimbursement may be made up to the maximum rate of four cents for each half pint of milk purchased for service to children in excess of the first half pint of milk served as part of these lunches. For all other schools the maximum rate of reimbursement is three cents for each one-half pint of milk purchased for service to children.
- d. The additional milk may be served at any time during the school day and reimbursement may be made for as many half-pints as a child may drink in excess of the first half pint served as a part of type A or B lunches under the National School Lunch Program.

First Year's Results:

The Special School Milk Program was not established until after the 1954-55 school year had commenced. Despite its late start, over 8.6 million children in over 41,000 schools participated in the program resulting in more than 451 million additional half-pints of milk being consumed over the normal consumption for the schools participating. A preliminary report on the operations of this program during the 1955 fiscal year is reflected in the following Table I.

Due to the late start of the program, peak participation was not reached until the month of March, as shown by the following table:

Month	Number of Schools ^{1/}		Number of children	
	Fiscal Year		Fiscal Year	
	1955		1955	
July	:	0	:	0
August	:	0	:	0
September	:	34	:	34,012
October	:	9,028	:	2,567,962
November	:	24,718	:	5,989,152
December	:	31,147	:	7,042,629
January	:	36,938	:	8,001,747
February	:	39,274	:	8,402,768
March	:	41,460*	:	8,674,328*
April	:	39,836	:	8,468,650
May	:	36,152	:	7,838,868
June	:	11,480	:	2,637,574

^{1/} The figures as shown for each month except September include some schools and children in programs for which claims for reimbursement have not been received. For example, in March, of the 41,460 schools participating, claims have been paid to 40,505 schools, with claims outstanding for 955 schools. At this time it is not known how many of the 955 schools may not have participated during the month of March.

* Peak month.

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Program Modified

Based on operating experience gained during the 1954-55 school year, modifications have been made in the program to permit more schools to encourage increased consumption and to eliminate some operating problems that limited the program during the first year. More schools have indicated their intention to take part than last year. Other areas plan to do a more intensive job this year in encouraging children to drink more milk, included are education on the nutritional values of milk, extending the availability of milk by adding new periods of service, serving milk in one-third quart and pint containers, and substantial reductions in prices through use of Federal funds.

Specifically, the following changes have been introduced for the current school year:

- (1) Participating schools will be reimbursed for all milk that is served as a "separate item"--that is, all in excess of the one-half pint served as a part of the Type A or B lunches. In 1955 reimbursement was made for all milk served over and above an established base.
- (2) The maximum reimbursement is 4 cents for each half pint served in excess of the half pint served by schools as a part of the Type A or B lunches, and 3 cents per half pint for all other schools. Maximum reimbursement in 1955 was 4¢ per half pint for milk consumed over the established base in schools with a prior service of milk. In schools that previously did not serve milk, the maximum rate was 3 cents per half pint.
- (3) Provisions have been established to insure that, as a result of the Federal payments, the price of milk will be lowered to children, as compared with the price which would otherwise have to be charged. Revised regulations are more specific, and increased administrative control will be exercised.

Division of 1956 Funds

Table II reflects the estimated division of funds, by States, for the fiscal year 1956.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

TABLE I

SPECIAL SCHOOL MILK PROGRAM

Preliminary

REPORT OF SPECIAL SCHOOL MILK PROGRAM OPERATIONS *

Fiscal Year 1955

State	: Number of : Schools 1/	: Number of : Children 2/	: Volume of 3/ : Increased Milk : Consumption	: Estimated 4/ : Expenditures
	: Participating	: Drinking Milk	(Half Pints)	(Dollars)
Alabama	881	210,612	6 131,000	230,000
Arizona	283	73,391	3,274,000	126,000
Arkansas	882	181,809	10,756,000	412,000
California	2,096	497,438	15,209,000	601,000
Colorado	446	67,446	4,007,000	155,000
Connecticut	219	54,980	2,565,000	92,000
Delaware	66	18,010	531,000	20,000
District of Columbia	163	40,219	1,527,000	61,000
Florida	552	207,237	7,791,000	290,000
Georgia	989	235,885	10,500,000	381,000
Idaho	308	54,635	4,039,000	158,000
Illinois	1,989	451,048	23,337,000	901,000
Indiana	945	208,519	12,295,000	464,000
Iowa	1,029	177,705	15,080,000	582,000
Kansas	512	83,421	5,149,000	195,000
Kentucky	774	189,382	6,394,000	241,000
Louisiana	628	119,119	6,485,000	259,000
Maine	411	45,851	1,765,000	67,000
Maryland	541	132,596	4,398,000	159,000
Massachusetts	1,727	393,748	10,533,000	403,000
Michigan	1,571	342,730	15,950,000	589,000
Minnesota	1,358	277,443	21,796,000	844,000
Mississippi	621	146,640	7,706,000	296,000
Missouri	1,576	207,243	16,881,000	648,000
Montana	230	29,232	2,143,000	84,000
Nebraska	282	49,557	2,746,000	102,000
Nevada	47	11,554	1,057,000	39,000
New Hampshire	195	24,237	833,000	32,000
New Jersey	663	126,317	4,568,000	172,000
New Mexico	267	46,798	3,426,000	128,000
New York	2,587	877,493	42,297,000	1,647,000
North Carolina	1,481	438,635	22,029,000	859,000
North Dakota	238	30,489	2,209,000	85,000
Ohio	1,543	371,396	20,925,000	813,000
Oklahoma	896	115,856	8,064,000	300,000
Oregon	312	58,963	2,163,000	83,000
Pennsylvania	2,423	359,686	23,650,000	842,000
Rhode Island	173	31,008	757,000	27,000
South Carolina	669	185,641	6,633,000	241,000
South Dakota	221	27,142	2,634,000	97,000
Tennessee	1,790	329,584	19,082,000	731,000
Texas	1,329	305,328	18,235,000	718,000
Utah	383	80,701	5,386,000	215,000
Vermont	311	27,477	1,725,000	63,000
Virginia	729	175,160	6,516,000	244,000
Washington	819	177,349	8,365,000	333,000
West Virginia	741	90,745	5,036,000	186,000
Wisconsin	2,468	274,264	25,556,000	968,000
Wyoming	96	12,609	1,082,000	41,000
Total	41,460	8,674,328	451,216,000	17,224,000 5/

* No direct comparison of the data can be made as between States since some initiated the program earlier than others.

- 1/ March 1955. The number of schools may have been higher in some States during other months, but March was the peak month in terms of schools participating nationally.
- 2/ Represents the number of children consuming milk in schools participating during month of March.
- 3/ Increase in milk consumption for the fiscal year 1955 above normal consumption of the previous year.
- 4/ Reports for 20 States are partly estimated because some reports are incomplete.
- 5/ Obligations as of June 30, 1955 were \$22,229,557. Reduction in obligations to \$17,224,000 was made in subsequent months.

September 1955

AMS/FDD

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
SPECIAL SCHOOL MILK PROGRAM

TABLE II

DIVISION OF FUNDS AVAILABLE FOR THE SPECIAL SCHOOL MILK PROGRAM
Fiscal Year 1956

State	: Total : :Apportionment :	State : Agency :	Private : Schools :
Alabama	1,813,730	1,764,972	48,758
Arizona	350,395	330,573	19,822
Arkansas	1,227,655	1,206,280	21,375
California	2,611,595	2,611,595	- -
Colorado	419,450	379,209	40,241
Connecticut	442,510	442,510	- -
Delaware	72,040	59,242	12,798
District of Columbia	145,545	145,545	- -
Florida	1,153,475	1,097,187	56,288
Georgia	1,774,410	1,774,410	- -
Idaho	249,770	241,961	7,809
Illinois	1,954,655	1,954,655	- -
Indiana	1,117,010	1,117,010	- -
Iowa	856,755	764,219	92,536
Kansas	624,900	624,900	- -
Kentucky	1,451,510	1,451,510	- -
Louisiana	1,327,080	1,327,080	- -
Maine	345,460	285,718	59,742
Maryland	663,620	551,851	111,769
Massachusetts	1,195,830	1,195,830	- -
Michigan	1,714,075	1,450,018	264,057
Minnesota	1,002,370	840,441	161,929
Mississippi	1,638,485	1,638,485	- -
Missouri	1,154,740	1,154,740	- -
Montana	192,505	171,682	20,823
Nebraska	428,640	376,556	52,084
Nevada	42,860	41,394	1,466
New Hampshire	155,790	155,790	- -
New Jersey	1,076,615	848,770	227,845
New Mexico	344,350	344,350	- -
New York	3,007,030	3,007,030	- -
North Carolina	2,267,495	2,267,495	- -
North Dakota	270,385	243,512	26,873
Ohio	1,985,525	1,682,261	303,264
Oklahoma	920,105	920,105	- -
Oregon	451,050	451,050	- -
Pennsylvania	2,775,365	2,239,805	535,560
Rhode Island	201,500	201,500	- -
South Carolina	1,277,010	1,263,233	13,777
South Dakota	255,415	234,458	20,957
Tennessee	1,581,625	1,540,044	41,581
Texas	2,988,075	2,988,075	- -
Utah	287,600	283,370	4,230
Vermont	142,815	142,815	- -
Virginia	1,364,885	1,317,305	47,580
Washington	634,270	588,245	46,025
West Virginia	918,890	898,113	20,777
Wisconsin	1,025,295	787,798	237,497
Wyoming	97,840	97,840	- -
Total	50,000,000	47,502,537	2,497,463

Note: Due to an estimated carry-over of \$302,442 from fiscal year 1956, a total of \$762,442 is estimated to be available for administration of these Acts in fiscal year 1957. Of the total, the estimates tentatively forecast obligations of \$517,000 for fiscal year 1957, leaving a carry-over of \$245,442 into fiscal year 1958.

Project	1955	1956	Increase or Decrease	1957
		(estimated)		(estimated)
Licensing dealers and handling complaints	\$419,745	\$517,000	- -	\$517,000
Unobligated balance brought forward	-335,013	-359,442	+\$57,000	-302,442
Unobligated balance carried forward	+\$359,442	+302,442	-57,000	+245,442
Total appropriation or estimate	444,174	460,000	- -	460,000

STATUS OF PROGRAM

Current Activities

This special fund, replenished by license fees, provides for the protection of producers, distributors, consumers, and others, from unfair and fraudulent practices in the marketing of perishable agricultural commodities; prevents the destruction or dumping of farm products and promotes foreign trade in apples and pears. Handlers are required to give shippers a true and correct accounting for commodities sent for sale in the market. Buyers and sellers must live up to the terms of the contract; false or misleading statements, misbranding, and similar matters are prohibited.

All commission merchants, dealers and brokers who handle fresh and frozen fruits and vegetables in interstate and foreign commerce must be licensed.

Anyone financially interested in a transaction covered by the law may request the assistance of the Department. The Department will promptly communicate with the other party, make necessary investigation, endeavor to bring about an amicable informal settlement, take formal action, if necessary, give each party opportunity to present his side fully, determine the loss or amount of damage to be paid, and if the violation is found to warrant such action, publish the facts and suspend or revoke the offender's license. The majority of cases involve questions of quality and condition. Evidence is supplied by the inspection certificates and other pertinent information furnished by complainants and respondents.

Activities under these Acts include licensing, collection of fees, and investigation and handling of complaints and violations.

Financing

Pursuant to the Perishable Agricultural Commodities Act, as amended, license fees of \$15, together with arrearage fees, are deposited into a special fund. All expenses, except legal services, for administration of the Perishable Agricultural Commodities and Produce Agency Acts, and violations of the Export Apple and Pear Act are paid from this fund.

Revenue collected and obligations incurred during the past three years and estimated for 1956 and 1957 are shown in the table below. H.R. 5337 (84th Congress) which was passed by the House on July 30, 1955, would, if enacted, increase the maximum annual fee from \$15 to \$25, therefore increasing receipts to this fund:

	Revenue Collected and Obligations Incurred				
	1953	1954	1955	1956(Est.)	1957(Est.)
Fees and arrearages	:	:	:	:	:
collected	\$428,839	\$428,157	\$444,174	\$460,000	\$460,000
Balance from prior	:	:	:	:	:
years to be used...	- -	- -	- -	57,000	57,000
Obligations	400,338	384,170	419,745	517,000	517,000

Selected Examples of Recent Progress and Trends

Licensing:

Licenses in effect as of June 30, 1955 totalled 26,822. This is an increase of 450 over the preceding year and is due chiefly to increased field coverage in the Southeast, which is a heavy producing area.

License fees and arrearages amounting to slightly more than \$440,000 were deposited in this special account, which is about \$7,500 more than was deposited in fiscal year 1954.

The licensing activity and number of licenses in effect at the end of the past 3 years and estimated for 1956 and 1957 are as follows:

Activity	Fiscal years				
	1953	1954	1955	1956(Est.)	1957(Est.)
Licenses renewed.....	19,438	19,912	20,378	20,322	20,822
New licenses issued...	6,007	6,460	6,444	7,500	8,500
Licenses terminated...	5,370	5,533	5,994	6,500	7,000
Total actions.....	30,815	31,905	32,816	34,322	36,322
In effect June 30.....	25,445	26,372	26,822	27,822	29,322

Complaints and Reparations:

1. There were approximately 2300 complaints filed including 69 cases reopened during fiscal year 1955, a slight reduction from the previous year. While there was a reduction of new complaints filed, there was an increase in the number of amicable settlements arranged and a substantial increase in reparations awarded as a result of these settlements. The value of the regulatory activities is not fully indicated by the number of cases filed and settled because each year more cases are being resolved by the industry without resorting to formal proceedings under the Act.

Settlements are being made on the basis of precedents established by Secretary's Orders in previous cases handled. These decisions, published and distributed to the industry, are used as the basis for settling disputes informally. The cases referred to the Department are in general those which are difficult and those for which no precedents have been established.

Personal investigations were conducted in 866 cases. Seventy-eight cases were submitted to arbitration compared with 49 in fiscal year 1954.

Amicable settlements were reached in approximately 50 percent of the cases closed and payments of nearly \$995,000 paid to the complaining parties. The industry generally favors this method of disposing of their disputes and in many cases they are willing to sign contracts and to accept as final and abide by the decisions rendered. These arbitration cases have substantially the same force and effect as decisions rendered by the Judicial Officer of the Department.

2. There were 123 cases of misbranding reported. One case involved a shipper who deliberately shipped 15 cars of misbranded potatoes after being informed by Federal-State inspectors that the shipments failed to meet designated requirements. Disciplinary action was filed and as a result of the hearing the respondent's license was suspended for 90 days.

Disciplinary action was filed against one of the largest dealers in the produce industry in St. Louis, Missouri. Investigation showed him to be guilty of approximately 800 violations of not properly accounting for merchandise received on consignment and joint accounts. More than \$37,000 was returned to numerous shippers who had been unaware they had been defrauded. After officials of the firm agreed to discontinue business for 3 months, further investigation developed evidence that they were continuing to do business and action was instituted requesting revocation of the firm's license. A hearing was held in September 1955 and the respondent's attorneys given until January 1, 1956 to submit briefs.

3. Continuous efforts have reduced the backlog of cases to 760, the smallest number since 1947. Of the 760 cases pending 143 reparation and eight disciplinary cases are in the Office of the General Counsel.

4. Analysis of complaint work for fiscal years 1953 through 1955 and estimates for 1956 and 1957 are as follows:

	Fiscal years				
	1953	1954	1955	1956(Est.)	1957(Est.)
Complaints:	:	:	:	:	:
On hand beginning of year	919:	775:	828:	760:	660
Received or reopened.....	2,431:	2,416:	2,285:	2,400:	2,500
Total to be handled...	3,350:	3,191:	3,113:	3,160:	3,160
Formal decisions	235:	282:	235:	250:	250
Informal amicable settlements	1,212:	1,120:	1,144:	1,200:	1,250
Otherwise closed	1,128:	961:	974:	1,050:	1,100
Pending June 30:	775:	828:	760:	660:	560
Reparations:	:	:	:	:	:
Awarded - For- mal orders....	\$321,492:	\$315,304:	\$247,920:	\$275,000:	\$300,000
Payments - amicable settlements...	1,248,709:	920,318:	994,939:	1,000,000:	1,000,000
Total.....	1,570,201:	1,235,622:	1,242,859:	1,275,000:	1,300,000

Produce Agency Act Cases:

Under this Act there were 58 new cases filed compared with 54 the preceding year. 26 cases were carried over from the prior year. 55 cases were closed by amicable settlement and 29 cases were pending at end of year. One case was referred to the United States Attorney in Philadelphia who declined to prosecute, expressing his opinion that jurisdiction under this Act did not encompass cut flowers. Many complaints previously handled involved cut flowers. However, since these cases have been settled informally, the point in question has not been determined by the courts.

Export Apple and Pear Act:

No complaints were filed under the Export Apple and Pear Act during the past fiscal year.

(e) Removal of Surplus Agricultural Commodities
(Section 32)

Appropriation, 1956		\$166,807,174
Transferred to:		
"Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service", Department of the Interior, pursuant to Public Law 466, 83d Congress		-4,322,879
"Marketing Research and Service, Agricultural Marketing Service", pursuant to Public Law 425, 78th Congress, Title VII, Sec. 702(b), for increased travel costs		-43,000
Activities transferred in the 1957 estimates to "Salaries and expenses, Office of the Secretary of Agriculture" for person- nel investigations		-2,215
Base for 1957		<u>162,439,080</u>
Budget Estimate, 1957:		
Annual permanent appropriation	\$199,525,000	
Less estimated transfer to Department of Interior, pursuant to Public Law 466	<u>-4,350,000</u>	<u>195,175,000</u>
Increase (in annual permanent appropriation for Section 32 purposes)		<u>+32,735,920</u>

Note: Due to an estimated unobligated balance to be carried forward from fiscal year 1956 of \$228,048,947, a total of \$423,223,947 is estimated to be available in fiscal year 1957 to the Department of Agriculture. Of this total, the estimates tentatively forecast obligations of \$284,662,133, an increase of \$50,272,000 compared with 1956, which would result in an unobligated balance of \$138,561,814 being carried forward into the fiscal year 1958.

SUMMARY OF INCREASES, 1957
(on the basis of available funds)

Net increase for surplus removal operations	+49,535,000
Increase for surplus removal operating expenses	+525,000
Increase for development of foreign market outlets for surplus American agricultural commodities	+212,000

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PROJECT STATEMENT

Project	1955	1956 (estimated)	Increases or Decreases	1957 (estimated)
1. Direct purchases	\$23,991,243	\$207,745,000	+\$57,705,000(1)	265,450,000
2. Encouragement of exportation	4,617,303	5,400,000	+1,800,000(1)	7,200,000
3. Diversion to byproducts and new uses	411,365	15,620,000	-9,970,000(1)	5,650,000
4. Surplus removal operating expenses	1,517,275	2,644,400	+525,000(2)	3,169,400
5. Marketing agreements and orders	1,223,309	1,500,000	- -	1,500,000
6. Foreign market promotion:	1,007,079	1,270,248	+212,000(3)	1,482,248
7. Import controls	187,633	210,485	- -	210,485
Total obligations	32,955,207	234,390,133	50,272,000	284,662,133
Unobligated balance carried forward	300,000,000	228,048,947	-89,487,133	138,561,814
Unobligated balance (trans- fer to surplus)	114,352,059	- -	- -	- -
Total pay act costs (P.L. 94):	[71,414]	[305,323]	[+53,200]	[358,523]
Total available	447,307,266	462,439,080	-39,215,133	423,223,947
Recovery of prior year obligations	-2,901,998	- -	- -	- -
Unobligated balance brought forward	+268,768,343	-300,000,000	+71,951,053	-228,048,947
Subtotal	175,636,925	162,439,080	+32,735,920	195,175,000
Transferred to "Marketing Research and Service, Agri- cultural Marketing Service":	245,201	43,000	-43,000	- -
Transfer in 1957 estimates to "Salaries and expenses, Office of the Secretary of Agriculture"	2,000	2,215	-2,215	- -
Subtotal	175,884,126	162,484,295	+32,690,705	195,175,000
Transfer to Department of the Interior pursuant to Public Law 466, 83d Congress	4,207,826	4,322,879	+27,121	4,350,000
Total appropriation or estimate	180,091,952	166,807,174	+32,717,826	199,525,000

INCREASES OR DECREASES

(1) A net increase of \$49,535,000 in program activity for projects 1, 2 and 3.

The extent to which this appropriation will be required for surplus removal operations will depend upon economic conditions generally, the extent of local market gluts, the volume of agricultural production in this country and foreign countries, and many other complex and unpredictable factors. Further, the type of program developed and the distribution of funds among these three projects is dependent upon the action which will best solve the particular surplus removal problem which exists at the time.

The authorizing legislation provides that these funds shall be devoted principally to nonbasic perishable commodities, other than those receiving price support under Title II of the Agricultural Act of 1949, as amended. Therefore the estimated obligations included for these three projects are based to a large extent upon the anticipated need for perishables. These are commodities which cannot be stored, and in order to prevent waste, must move quickly from producer to consumer. For example the production of fresh vegetables shifts according to seasons. These are rapid growing commodities, with most of them requiring from 45-90 days from planting time to harvest time. The situation can change quickly from one of shortage to one of surplus. Even in seasons in which the total volume of production may be less than normal, surpluses frequently arise because of bunching of maturity dates. Fresh fruits and tree nuts are, likewise, commodities which require quick marketing in order to avoid deterioration or spoilage. The production of orchard crops is difficult to plan and regulate since orchards often require from 5 to 7 years to reach maturity. A season of unusually good growing conditions could bring about a supply in excess of normal demands and the destruction of trees in order to forestall such a recurrence would be highly uneconomic.

In order to make funds available to meet such emergencies, and in recognition of the unpredictable factors involved in the use of these funds, Congress has provided for the accumulation of unused balances to \$300,000,000, in addition to the annual permanent appropriation. The following table reflects the estimated total funds available for Section 32 activities and estimated balances carried forward for fiscal years 1955, 1956 and 1957:

Item	1955	1956 (estimated)	1957 (estimated)
Balance from prior year	\$268,768,343	\$300,000,000	\$228,048,947
Recovery of prior year obligations ..	2,901,998	- -	- -
Appropriation or estimate	180,091,952	166,807,174	199,525,000
Transfer to Interior Department	-4,207,826	-4,322,879	-4,350,000
Transfer to "Marketing research and service" (in 1955, for retroactive pay act costs; and in 1956 for increased travel costs)	-245,201	-43,000	- -
Transfer in 1957 estimates to Office of the Secretary for personnel investigations work	-2,000	-2,215	- -
Total available	447,307,266	462,439,080	423,223,947
Obligations	-32,955,207	-234,390,133	-284,662,133
Unobligated balance (transfer to surplus)	-114,352,059	- -	- -
Unobligated balances carried forward to subsequent year	<u>300,000,000</u>	<u>228,048,947</u>	<u>138,561,814</u>

Except for the purchases of wheat flour and cornmeal which are authorized under Public Law 311, approved August 9, 1955, the use of Section 32 funds for commodities other than perishables, is dependent upon the extent to which needs arise for perishables. Public Law authorizes the Secretary of Agriculture, upon

the specific request of the Governor of any State during the period August 9, 1955 to June 30, 1957, to make available for distribution by State agencies directly to families and persons in need, as determined by appropriate State and local welfare agencies, such quantities of wheat flour and cornmeal as the Secretary determines can be effectively distributed and utilized within such period. Section 32 funds not to exceed 15,000,000 are authorized to be used in each fiscal year.

Based upon the current outlook for requirements for perishables, Section 32 funds are budgeted to the fullest extent possible for nonperishables. This will result in acquiring in 1957 under Section 32 funds more nonperishable commodities than in 1956. During 1956, a part of these nonperishables were distributed under Section 416 of the Agricultural Act of 1949, as amended. A large part of the increase is for procurement of such commodities. Purchases under the special cornmeal and wheat flour program are also expected to increase in 1957.

(2) An increase of 525,000 for surplus removal operating expenses.

It is estimated that approximately 23,614 carlots of commodities will be purchased for direct distribution during fiscal year 1957 - an increase of 7,453 over the estimate for 1956. The cost per carlot for procuring commodities, directing the shipments and accounting for the funds depend, to a large extent, on the type of commodity involved. However, based on the estimates, the cost for performing these functions will be approximately 49 per carlot in 1957. This compares with an actual cost of over 59 per carlot in the fiscal year 1955 when the program volume was considerably smaller. It is estimated that an increase of 525,000 in surplus removal operating expenses will be necessary in 1957 in connection with the increased program volume indicated, including the expenses of Agricultural Marketing Service for administering the programs under Section 32 and Section 416 of the Agricultural Act of 1949, as amended, for distribution of surplus Agricultural commodities.

Expenses of Administering Programs for
Distribution of Surplus Agricultural Commodities

Administrative responsibility for the distribution of surplus agricultural commodities as authorized by Section 32 of the Act of August 24, 1935, as amended, and by Section 416 of the Agricultural Act of 1949, as amended, has been assigned to the Agricultural Marketing Service in order that only one agency in the Department is engaged in this activity. In view of the similarity of these two programs and in order to simplify administration, the estimates contemplate that total operating costs in the Agricultural Marketing Service for distribution activities under both Section 32 and Section 416 program will be charged to the Section 32 appropriation.

Section 32 provides for removal from the market surplus agricultural commodities by purchase and donation to eligible recipients and by export and diversion payments. Section 416 authorizes the Commodity Credit Corporation, in order to prevent the waste of commodities acquired through price-support operations, to dispose of such commodities by donation to State, Federal, or private agencies for use in school lunch programs for assistance of needy persons, charitable institutions, and for donation to other non-profit agencies for assistance of needy persons outside the United States.

The same personnel in the Agricultural Marketing Service administer the distribution of commodities under both programs. At times identical commodities may be distributed under both programs since under certain circumstances Section 32 funds and Commodity Credit Corporation funds are both available for the same commodities.

In the past administrative expenses of Agricultural Marketing Service for these programs have been charged to either Section 32 or to funds advanced from the Commodity Credit Corporation on the basis of whether the commodity costs were paid from Section 32 or the Corporation's funds. This has made the development of budget estimates for administrative costs by funds extremely difficult. Further, when the same types of commodities are distributed under both programs, segregation of administrative costs with any degree of accuracy is very difficult, requires unnecessary paper work, and places an undue and time-consuming burden upon the food distribution personnel who are the only ones in a position to make a reasonably equitable distribution of such costs. For these reasons, the administrative costs in the Agricultural Marketing Service relating to the Section 416 distribution program are being charged to the Section 32 appropriation beginning in the latter half, 1956 fiscal year.

(3) An increase of 212,000 under the project "Foreign Market Promotion"

The explanation of this increase is set forth in the justifications for the Foreign Agricultural Service.

Current Activities:

Under Section 32 of the Act of August 24, 1935, as amended (7 USC 612c), an amount equal to 30 percent of customs receipts during each calendar year and unused balances up to \$300 million are available for encouraging the exportation and domestic consumption of agricultural commodities. Current activities for removing from the market surplus agricultural commodities include:

- (a) Purchases for distribution through State distributing agencies to school lunch programs, and to welfare agencies and institutions eligible to receive such purchases.
- (b) Encouragement of exports through payments which will permit the sale of surplus commodities in foreign markets.
- (c) Encouragement of domestic consumption by diversion from normal channels of trade to by-products and new uses.

The basic authority also provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities (other than those receiving price support under Title II of the Agricultural Act of 1949, as amended) and their products. These commodities are: tung nuts, honey, milk, butterfat, and the products of milk and butterfat.

Public Law 311 approved August 9, 1955 authorizes the use of a maximum of \$15,000,000 of Section 32 funds during each of the fiscal years 1956 and 1957 for the purchase and donation of wheatflour and cornmeal to needy persons.

These funds are also used for operating expenses as distinguished from commodity program costs consisting of:

- (a) Surplus removal operating expenses which include administrative costs for direct removal of surpluses from the market, distribution by the Agricultural Marketing Service of surplus commodities made available under Section 416 of the Agricultural Act of 1949, as amended, encouraging of food preservation, and encouraging marketing of abundant foods through the food trades.
- (b) The administration of marketing agreements and orders which aim to establish and maintain orderly marketing conditions for certain commodities and their products.
- (c) Development of markets in foreign countries for U. S. surplus or potentially surplus agricultural commodities.
- (d) Administration of import programs under Section 32 of the Agricultural Adjustment Act of 1933, as amended.

A discussion of activities "c" and "d" will be found in the justifications for the Foreign Agricultural Service.

Selected Examples of Recent Progress and Trends:

A. Purchase of agricultural commodities for distribution to authorized agencies:

1. During the fiscal year 1955, approximately 137.5 million pounds of agricultural commodities at a cost of approximately \$24.0 million were purchased for distribution through authorized agencies. Distribution was made by 84 agencies to an increased number of participants as compared with 1954.

	1954	1955
(1) School children.....	9,362,300	10,213,400
(2) Persons in eligible institutions.....	1,269,300	1,333,600
(3) Individual welfare recipients.....	1,089,500	2,518,000

2. Commodities Purchased during Fiscal Years 1954 and 1955 for Distribution Through Authorized Agencies

Commodity	Unit	1954		1955	
		Quantity	Value	Quantity	Value
Dairy products:					
Butter	lb.	84,571,818	\$58,282,373	*	\$ 170,577
Cheese	lb.	52,010,604	21,917,025	*	153,896
Milk	lb.	35,658,985	6,929,834	*	99,374
Beans.....	lb.	10,032,735	1,248,165	94,400,000	9,071,541
Fruits:					
Cranberry sauce...	case	290,063	1,146,884	*	61,942
Figs.....	ton	---	---	1,674	445,559
Pears, fresh.....	box	126,429	381,245	---	---
Honey.....	lb.	512,515	86,764	*	4,129
Beef.....	lb.	213,880,048	83,863,005	*	380,496
Oils:					
Cottonseed (salad)	lb.	7,120,837	1,497,671	12,351,138	2,651,396
Cottonseed (shortening)...	lb.	37,832,146	9,163,934	47,871,620	10,952,333
Pecans.....	lb.	593,762	401,737	---	---
Vegetables:					
Potatoes.....	cwt.	376,668	839,006	---	---
Unidentified.....	xxxxx	xxxxx	-12,329	---	---
Total.....		xxxxx	185,745,314	xxxxx	23,991,243

* Transportation on prior-year purchases.

B. Encouragement of exportation of agricultural commodities:

Quantity of Commodities Exported and Payments Made
During Fiscal Years 1954 and 1955

Commodity	Unit	1954		1955	
		Quantity	Payment	Quantity	Payment
Corn.....	bu.	8,974,235	\$1,213,461	---	---
Fruits:	:	:	:	:	:
Apricots, dried	ton	1,807	271,090	---	---
Citrus juice,	:	:	:	:	:
blend s. s....	case	36,537	20,988	59,011	\$ 26,594
Citrus juice,	:	:	:	:	:
blend, conc...	gal.	---	---	1,462	461
Citrus salad...	case	---	---	657	480
Grapefruit,	:	:	:	:	:
fresh.....	box	278,826	209,119	361,600	230,954
Grapefruit	:	:	:	:	:
juice, conc...	gal.	41,888	38,821	75,008	32,771
Grapefruit,	:	:	:	:	:
canned.....	case	24,277	24,821	66,886	49,816
Grapefruit	:	:	:	:	:
juice, s.s....	case	369,799	200,476	621,577	283,530
Oranges, fresh	box	2,823,795	4,085,598	2,651,240	2,013,900
Orange juice,	:	:	:	:	:
conc.....	gal.	592,595	529,694	841,773	419,188
Orange juice,	:	:	:	:	:
s.s.....	case	365,387	221,863	525,658	240,713
Pears, fresh...	box	298,286	298,286	---	---
Raisins, dried	ton	49,054	1,958,662	21,988	769,825
Honey.....	lb.	17,735,012	673,977	21,858,277	549,071
Wheat.....	bu.	13,709,122	2,803,206	---	---
Total.....	:	xxx	12,550,062	xxx	4,617,303

C. Quantities of Commodities Diverted and Payments Made
During Fiscal Years 1954 and 1955

Commodity	Unit	1954		1955	
		Quantity	Payment	Quantity	Payment
Dates.....	lb.	---	---	1,258,042	\$ 50,322
Honey.....	lb.	69,635	\$ 2,673	65,958	2,473
Tree Nuts.....	lb.	---	---	367,500	118,467
Potatoes.....	bu.	4,212,823	936,402	2,035,085	240,103
Total.....	:	xxx	939,075	xxx	411,365

D. Surplus Removal Operating Expenses

1. Planning surplus removal programs and distributing commodities
In addition to planning surplus removal programs under Section 32, responsibility has been assigned to the Agricultural Marketing Service for the distribution of all surplus commodities. This includes commodities purchased under authority of Section 32 for distribution to eligible outlets and those acquired under CCC price support programs which are donated to domestic and foreign outlets under Section 416 of the Agricultural Act of 1949, as amended. See Table I for Quantity and Table II for Cost of Surplus Commodities Distributed for Domestic and Foreign Use, Fiscal Years 1954-1956. The information reflected in these tables represents the fiscal year in which the commodity was distributed and not necessarily the fiscal year in which it was acquired.

2. Food Preservation Program. The work performed under this program supplements the direct distribution activity by furnishing assistance and advice in the preservation of foods and in the operation of preservation centers.

(a) Surplus Foods Preserved During Fiscal Year 1955 by Local Preservation Centers for Redistribution in Processed Form to Schools and Other Outlets

Commodity	F.Y. 1955
	Pounds
Dry beans, processed to prevent infestation	134,994

The commodities which will be processed in 1956 depend upon the volume of local purchases and Federal donations.

(b) Assistance and Advice Furnished to Non-Profit Food Preservation Centers During Fiscal Years 1955 and Estimated for 1956

Project	F.Y. 1955	F.Y. 1956
	Number	Number (Est.)
Technical assistance furnished in improving:		
cannery techniques and in installing		
equipment	150	130
Workshops conducted in food preservation		
training	27	25
Plant surveys performed	47	45
Floor plans and equipment drawings developed and used	11	25

3. Food Trades Program Under this program the consumption of plentiful foods is encouraged through normal channels of trade.

Project	F.Y. 1955	F.Y. 1956
	Number	Number (Est.)
Average number of foods listed on monthly		
abundant foods list	15	15
Distribution of monthly abundant foods list:	28,883	30 000
National food drives conducted	6	11
Area, State and local food drives conducted:	14	22

Major food drives were conducted during the past year on dairy products, beef and vegetables, lettuce, pork, and eggs.

E. Marketing Agreements and Orders

Marketing agreements and orders were in effect during fiscal years 1955 and estimated for 1956 for (1) milk; (2) tree nuts, tree fruits, potatoes and other vegetables and (3) tobacco as follows:

1. Activities under the Milk, Fruit and Vegetable and Tobacco Agreement and Order Programs During Fiscal Year 1955 and Estimated for 1956:

Activity	Dairy		F & V		Tobacco	
	1955	1956	1955	1956	1955	1956
Agreement and order programs in effect.....	58	69	30	32	1	1
Hearings held to consider amendments to existing orders or the issuance of orders in new areas.....	48	50	8	8	-	-
Requests received for new programs.....	15	17	5	3	-	-
Amendments issued to existing orders.....	41	45	3	7	-	-
Suspensions issued to existing orders.....	6	5	3	2	1	-
Petitions received for review of various order provisions..	8	14	1	2	-	-
Petitions disposed of during the year.....	8	29	-	3	-	-
Court cases started during the year.....	16	21	23	42	-	-
Court cases disposed of during the year.....	15	12	23	38	-	-
Hearings held under Administrative Procedures Act.....	1	-	8	8	-	-
Applications reviewed from co-operatives for qualifications to participate under the Act	48	57	-	-	-	-
Cases disposed of under the Act	46	57	-	-	-	-
Regulatory orders issued under provisions of marketing order	28	36	271	306	-	-
Appointment of administrative or control committees.....	-	-	24	45	1	-
Promulgation of committee rule making.....	-	-	16	26	-	-
Budgets approved.....	55	69	33	43	-	-
Investigation of alleged violations.....	28	36	118	144	-	-
Cases referred to Dept. of Justice for prosecution.....	9	12	36	47	-	-
Recodification of Agreements and Orders.....	7	5	2	-	-	-
Administrators Decisions issued	43	50	8	8	-	-
Secretary's Decisions issued..	52	50	7	11	-	-
Secretary's Referendum Orders issued.....	11	20	9	11	-	-
Import regulations issued under Sec. 8(c).....	-	-	10	32	-	-

2. Marketing Agreement and Order Programs in Effect for
Fluid Milk During Fiscal Year 1955 (See Table III).

State	City	Estimated: Est. Amount	Number of: of Pooled Milk	Producers: (1,000 lbs)
Arkansas.....	Fort Smith.....	474	:	66,482
Illinois.....	Chicago; Quad Cities (Grade A);	:	:	:
	Rockford-Freeport.....	24,312	:	4,644,133
Indiana.....	Fort Wayne; South Bend-LaPorte..	2,121	:	244,098
Iowa.....	Cedar Rapids-Iowa City; Dubuque;	:	:	:
	Sioux City.....	1,548	:	236,852
Kansas.....	Neosho Valley; Southwest Kan-	:	:	:
	sas; Topeka.....	2,603	:	373,943
Kentucky.....	Louisville; Paducah.....	2,700	:	350,189
Louisiana.....	New Orleans; Shreveport.....	3,135	:	312,241
Massachusetts..	Boston; Fall River; Merrimack	:	:	:
	Valley; Springfield; Worcester..	15,781	:	2,115,953
Michigan.....	Detroit; Muskegon.....	13,639	:	1,748,997
Minnesota.....	Duluth-Superior; Minneapolis-	:	:	:
	St. Paul.....	5,689	:	797,773
Mississippi....	Central Mississippi.....	1,191	:	102,852
Missouri.....	Kansas City; Ozarks; St. Louis..	8,698	:	1,176,792
Nebraska.....	Omaha-Lincoln-Council Bluffs....	2,470	:	288,227
New York.....	New York.....	49,914	:	7,858,747
Ohio.....	Akron; Cincinnati; Cleveland;	:	:	:
	Columbus; Dayton-Springfield;	:	:	:
	Lima; Stark County; Toledo;	:	:	:
	Tri-State.....	25,735	:	2,785,815
Oklahoma.....	Oklahoma City; Tulsa-Muskogee..	2,710	:	376,224
Pennsylvania...	Philadelphia.....	7,886	:	1,230,346
South Dakota...	Black Hills; Eastern S. Dak.;	:	:	:
	Sioux Falls-Mitchell.....	616	:	86,375
Tennessee.....	Appalachian; Knoxville; Memphis:	:	:	:
	Nashville.....	4,242	:	576,041
Texas.....	Austin-Waco; Central West Texas:	:	:	:
	North Texas; San Antonio.....	4,840	:	1,029,510
Washington.....	Puget Sound.....	3,860	:	798,033
Wisconsin.....	Milwaukee.....	2,683	:	474,638
Total, Markets.....		187,047	:	27,674,261
Estimated farm value.....		\$1,123,500,000		

3. Marketing Agreement and Order Programs in Effect for Tobacco
During Fiscal Year 1955

Type of Commodity	Est. No. of:	Estimated
	Commercial :	Farm
	Producers :	Values
Type 62 Georgia-Florida Shade Grown Tobacco	365	\$13,000,000

4. Fruit and Vegetable Marketing Agreement and Order Programs
in Effect During Fiscal Year 1955 (See Table IV)

Orders in effect	: Est. No. of :	Estimated
	: Commercial :	Farm
	: Producers :	Values
<u>Citrus fruits:</u>	:	:
(a) California - Arizona Navels Misc.	:	:
oranges.....	(16,000	: 39,975,000
(a) California - Arizona Valencia oranges...	(	: 67,200,000
California - Arizona desert grapefruit..	2,000	: 4,891,000
California - Arizona lemons.....	6,100	: 39,192,000
(b) Florida oranges.....	(	: 149,734,000
(b) Florida grapefruit.....	(15,000	: 30,972,000
(b) Florida tangerines.....	(	: 8,580,000
Florida limes.....	500	: 1,045,000
<u>Deciduous fruits:</u>	:	:
Florida avocados.....	600	: 1,288,000
California Tokay grapes.....	1,900	: 7,480,000
Colorado peaches.....	2,000	: 5,644,000
Georgia peaches.....	750	: 10,780,000
Utah peaches.....	1,300	: 700,000
(c) California Bartlett pears.....	1,200	: 26,852,000
(c) California plums.....	900	: 12,172,000
(c) California Elberta peaches.....	500	: 10,400,000
California Buerre Hardy pears.....	300	: 1,640,000
Oregon-Washington-California winter	:	:
pears.....	2,350	: 16,236,000
<u>Dried fruits:</u>	:	:
California dates.....	300	: 2,000,000
California figs.....	400	: 4,299,000
California dried prunes.....	6,000	: 36,994,000
California raisins.....	12,000	: 28,891,000
<u>Vegetables:</u>	:	:
Peas and Cauliflower - Colorado-San	:	:
Luis Valley.....	74	: 674,000
<u>Potatoes:</u>	:	:
Idaho-Melheur Co., Oregon.....	8,521	: 48,420,000
Colorado.....	2,594	: 20,736,000
Central Oregon-Northern California.....	1,779	: 20,130,000
Maine.....	4,659	: 67,129,000
Virginia-North Carolina.....	4,059	: 9,959,000
Eastern South Dakota.....	267	: 1,280,000
Washington.....	1,073	: 14,256,000
New England except Maine.....	1,450	: 13,092,000
<u>Nuts:</u>	:	:
California almonds.....	9,300	: 19,623,000
Oregon-Washington filberts.....	3,700	: 2,655,000
Southeastern pecans.....	8,500	: 12,432,000
California-Oregon-Washington walnuts....	20,000	: 25,381,000
Total, 30 orders.....	xxx	: 763,232,000

(a), (b), (c) - one order each respectively.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Quantity of Surplus Commodities Distributed for Domestic and Foreign Use
(Million Pounds)

TABLE I

Commodity	1954			1955			1956 *		
	Sec. 32	Sec. 416	Total	Sec. 32	Sec. 416	Total	Sec. 32	Sec. 416	Total
				D O M E S T I C					
Beans	9.9	--	9.9	74.9	--	74.9	17.9	5.8	23.7
Keef and gravy	177.8	--	177.8	38.0	--	38.0	--	--	--
Butter	71.7	.1	71.8	13.7	95.5	109.2	--	35.9	35.9
Cheese	45.0	.1	45.1	10.9	74.0	84.9	--	28.4	28.4
Cottonseed oil & shortening	28.4	--	28.4	71.9	--	71.9	22.6	--	22.6
Fruits, deciduous	5.8	--	5.8	3.4	--	3.4	5.9	--	5.9
Honey	6.1	--	6.1	.5	--	.5	--	--	--
Milk, nonfat dry	29.4	.1	29.5	9.8	69.6	79.4	--	26.4	26.4
Potatoes	36.6	--	36.6	--	--	--	--	--	--
Rice	--	--	--	--	22.8	22.8	--	16.9	16.9
Vegetables (excl'd'g potatoes)	--	--	--	.3	--	.3	--	--	--
Wheat flour and cornmeal	--	--	--	--	--	--	1.0	--	1.0
Other	6.8	--	6.8	7.4	--	7.4	--	--	--
TOTAL, DOMESTIC	417.5	.3	417.8	230.8	261.9	492.7	47.4	113.4	160.8
				F O R E I G N					
Butter	--	60.2	60.2	--	78.4	78.4	--	42.6	42.6
Butter oil	--	--	--	--	39.8	39.8	--	25.6	25.6
Cheese	--	31.0	31.0	--	88.0	88.0	--	53.8	53.8
Cottonseed oil	--	--	--	--	54.4	54.4	--	--	--
Milk, nonfat dry	--	92.7	92.7	--	271.4	271.4	--	177.5	177.5
TOTAL, FOREIGN	--	183.9	183.9	--	532.0	532.0	--	299.5	299.5
TOTAL, DOMESTIC AND FOREIGN	417.5	184.2	601.7	230.8	793.9	1,024.7	47.4	412.9	460.3

* Actual through October shown by commodity.

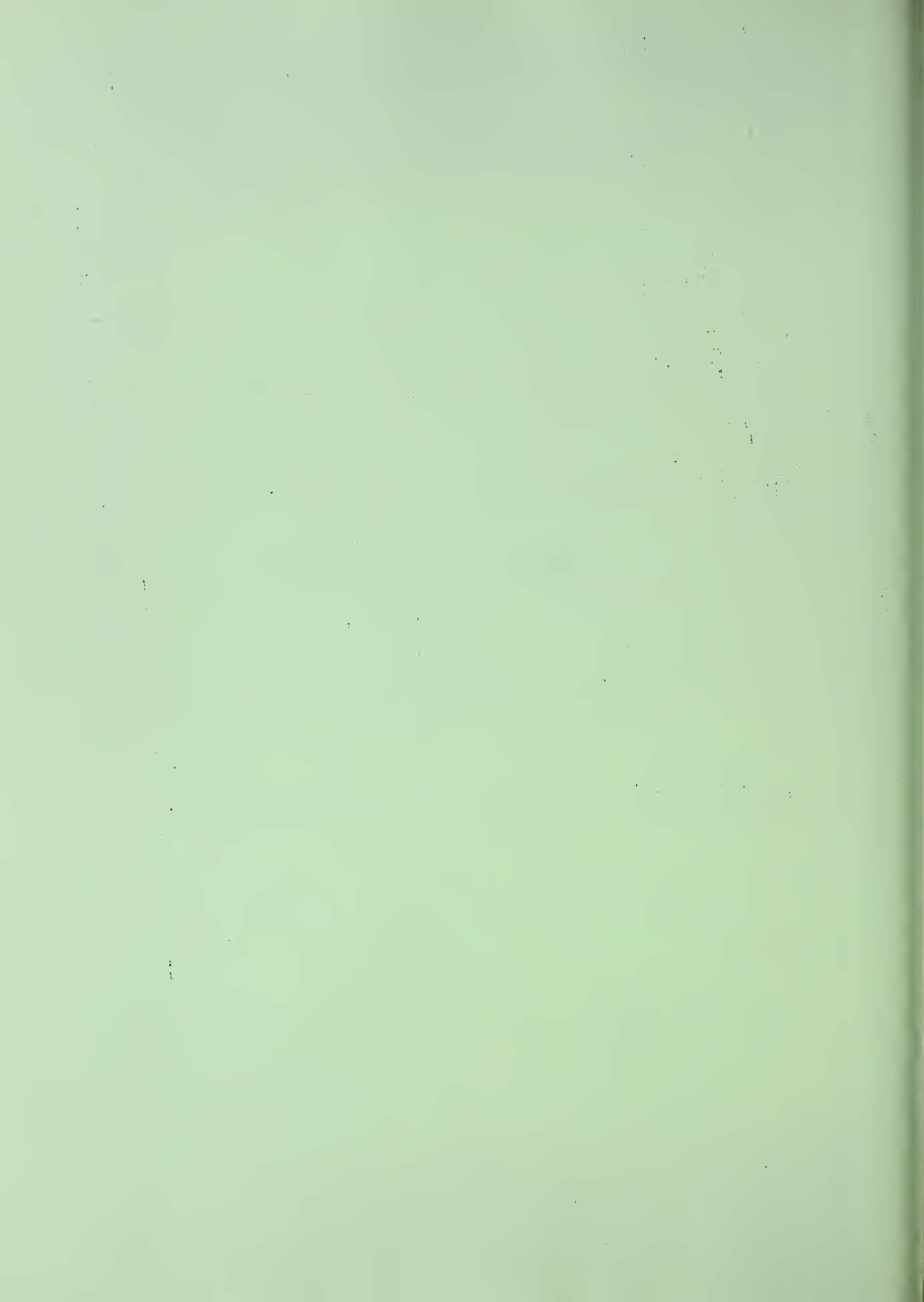
UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

TABLE II

Cost of Surplus Commodities Distributed for Domestic and Foreign Use
(Million Dollars)

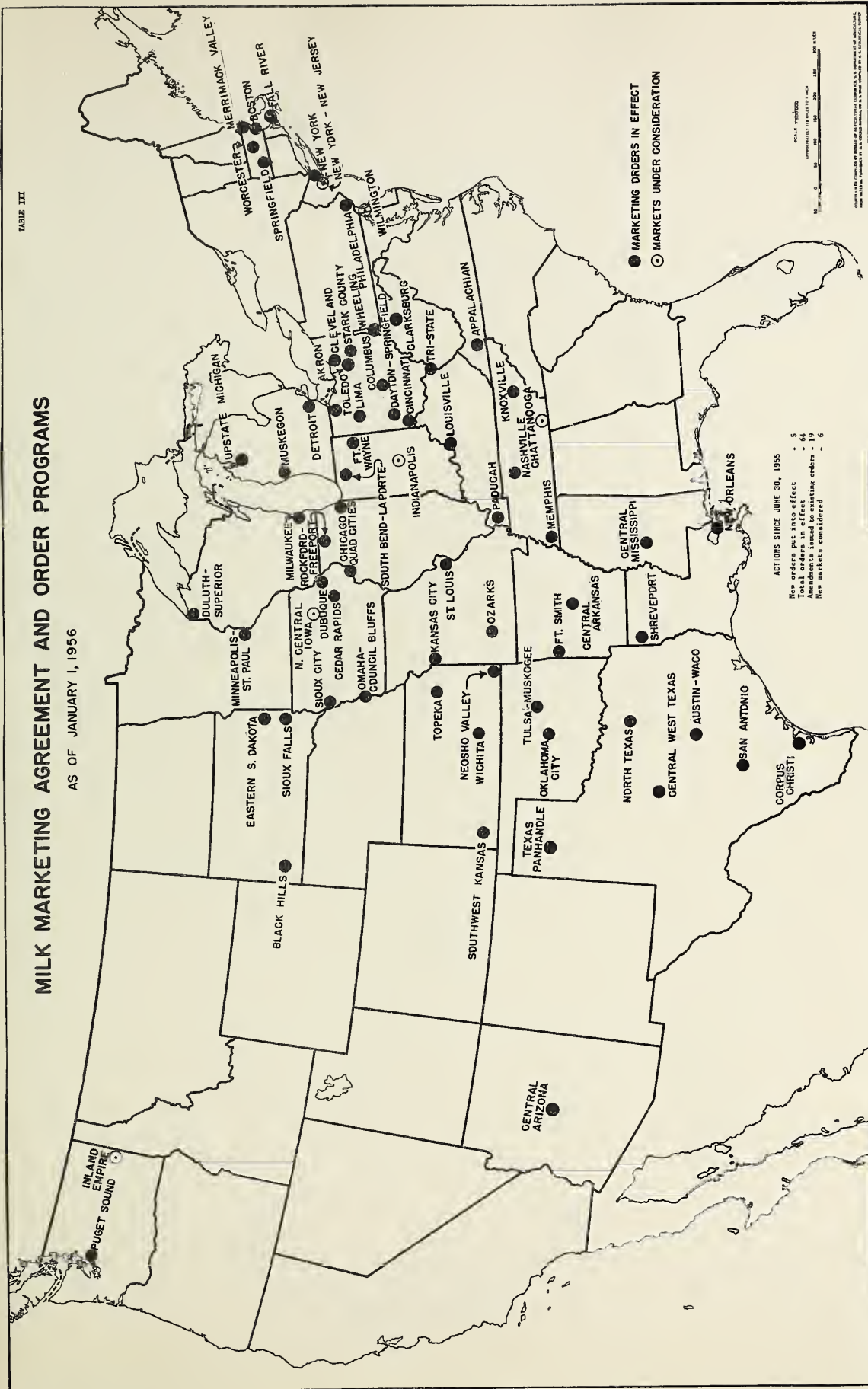
Commodity	1954			1955			1956 ^{b/}		
	Sec. 32	Sec. 416	Total	Sec. 32	Sec. 416	Total	Sec. 32	Sec. 416	Total
				DOMESTIC					
Beans	\$1.2	--	\$1.2	7.9	--	\$7.9	\$1.7	\$0.5	\$2.2
Beef and gravy	69.8	--	69.8	15.2	--	15.2	--	--	--
Butter	49.7	\$.1	49.8	8.3	64.0	72.3	--	24.0	24.9
Cheese	17.5	a/	17.5	4.4	31.5	35.9	--	12.2	12.2
Cottonseed oil & shortening	7.0	--	7.0	16.1	--	16.1	5.2	--	5.2
Fruits, deciduous .....	.4	--	.4	.4	--	.4	.5	--	.5
Honey	1.2	--	1.2	.1	--	.1	--	--	-- ⁸
Milk, nonfat dry	6.0	a/	6.0	1.9	13.6	15.5	--	5.0	5.0
Potatoes .....	.9	--	.9	--	--	--	--	2.0	2.0
Rice	--	--	--	--	3.5	3.5	--	--	--
Vegetables (Excl'd. potatoes)	--	--	--	a/	--	a/	--	--	a/
Wheat flour and cornmeal ...	--	--	--	--	--	--	--	--	--
Other	1.3	--	1.3	.8	--	.8	--	--	--
Estimated additional distribution	--	--	--	--	--	--	203.8	22.9	226.7
TOTAL, DOMESTIC	155.0	.1	155.1	55.1	112.6	167.7	211.2	66.6	277.8
				FOREIGN					
Butter	--	41.7	41.7	--	57.7	57.7	--	27.2	27.2
Butter oil	--	--	--	--	36.9	36.9	--	20.7	20.7
Cheese	--	12.1	12.1	--	39.3	39.3	--	22.1	22.1
Cottonseed oil	--	--	--	--	13.5	13.5	--	--	--
Milk, nonfat dry	--	19.0	19.0	--	49.8	49.8	--	33.7	33.7
Estimated additional distribution	--	--	--	--	--	--	--	54.7	54.7
TOTAL, FOREIGN	--	72.8	72.8	--	197.2	197.2	--	158.4	158.4
TOTAL, DOMESTIC AND FOREIGN	155.0	72.9	227.9	55.1	309.8	364.9	211.2	225.0	436.2

a/ Less than \$100,000 b/ Actual through October shown by commodity. Estimated additional distribution for remainder of year shown in total dollars without breakdown by commodity.



AS OF JANUARY 1, 1956

TABLE III



AS OF JANUARY 1, 1956

TABLE IV



ACTIONS SINCE JUNE 30, 1955

New orders put into effect	- 2
Total orders in effect	- 31
Amendments to existing order	- 4
New orders considered	- 3

AREAS COVERED INCLUDE THE ENTIRE STATE EXCEPT FOR THE FOLLOWING WHICH COVER ONLY THOSE COUNTIES INDICATED:

CALIFORNIA . . . Grapefruit (*Imperial and part of Riverside*); Potatoes (*Modoc and Shastaville*); Navel and Valencia Oranges (*South of 37th parallel*); Tokay Grapes (*Sacramento and San Joaquin*); Dates (*Riverside and Los Angeles Coa.*)

COLONADO . . . Fresh Pease and Cauliflower (Alamosa, Rio Grande, Conchos, Contilla, Custer and Esola); Peaches (Hess).

FLORIDA . . . Avocado (Brevard, Osceola, Polk, Hillsborough and Pasco counties and all counties south);
Tomato (South or east of Suwannee River); lima (All south or east of Suwannee River).

IDAHO Potatoes (All south of Idaho county).

NORTH CAROLINA, Putnam (Scotland, Hoke, Barnett, Johnston, Nash, Halifax, Northampton and counties east thereof).

SOUTH DAKOTA . . . Potatoes (Codrington, Clerk, Healin, Deuel, Brown, Day and Kingsbury).

VIRGINIA . . . Potatoes (Accomac, Northampton, Princess Anne, Mansamond, Norfolk and James City).



STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955 were actually received or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	: Obligations, : 1955	: Estimated : Obligations, : 1956	: Estimated : Obligations, : 1957
Allocations and Working Funds (Advances from other agencies):	:	:	:
Department of Agriculture:	:	:	:
Commodity Stabilization Service:	:	:	:
Commodity Credit Corporation -	:	:	:
(Capital Funds):	:	:	:
Special school milk program	: \$22,229,557:	\$50,000,000:	- -
Granary storage research program ...	: 9,551:	103,000:	\$103,000
National Wool Act of 1954	: - - :	43,300:	43,300
Total, Commodity Credit Corporation	:	:	:
(Capital Fund)	: 22,239,108:	50,146,300:	146,300
Commodity Credit Corporation -	:	:	:
(Administrative Expenses):	:	:	:
Special school milk program	: 193,237:	322,500:	108,000
Section 416 donations	: 187,941:	134,750:	- -
Commodity teletype	: 12,022:	12,950:	13,200
Wheat variety research	: - - :	32,000:	- -
Storage facilities	: 89,975:	81,000:	81,000
Total, Commodity Credit Corporation	:	:	:
(Administrative Expense Fund)	: 483,175:	583,200:	202,200
Agricultural Adjustment Program:	:	:	:
Crop estimates and statistics	: 221,997:	237,100:	237,100
Total, Commodity Stabilization Service.	: 22,944,280:	50,966,600:	585,600
Federal Crop Insurance Corporation:	:	:	:
Furnishing cost of production and	:	:	:
special crop data for various crops	:	:	:
insured by Federal Crop Insurance	:	:	:
Corporation	: - - :	20,000:	25,000
Total, Department of Agriculture ..	: 22,944,280:	50,986,600:	610,600
Department of the Army:	:	:	:
For research on use of gamma radiation	:	:	:
to prevent spoilage in fresh fruits	:	:	:
and vegetables	: - - :	10,300:	- -
For inspection of agricultural	:	:	:
commodities	: 583,102:	709,000:	- -
Total, Department of the Army	: 583,102:	719,300:	- -

(Continued on next page)

Item	: Obligations, : 1955	: Estimated : Obligations, : 1956	: Estimated : Obligations, : 1957
Allocations and Working Funds (Cont'd)			
<u>International Cooperation</u>			
<u>Administration:</u>			
Training services	37,989:	40,200:	- -
Technical consultation and support ...	22,220:	23,500:	- -
Administrative expense	3,548:	3,550:	- -
Revision of publication "Guide to Agri- culture"	7,076:	- -	- -
Total, International Corporation Administration	70,833:	67,250:	- -
<u>Bureau of the Census:</u>			
Compilation of special price data for 1954 Census of Agriculture	18,981:	- -	- -
<u>Federal Civil Defense Administration:</u>			
For development of plans for maintain- ing food supplies under defense emergency conditions	- -	- -	185,000
Total, allocations and working funds:	23,617,196:	51,773,150:	795,600
Trust Funds:			
<u>Expenses and Refunds, Inspection and</u>			
<u>Grading of Farm Products, Agricultural</u>			
<u>Marketing Service - inspection,</u>			
<u>grading, and certification of:</u>			
Fresh and processed fruits and vegetables	3,263,622:	3,536,270:	3,481,900
Dairy products	1,685,920:	1,761,360:	1,734,300
Poultry products	3,705,975:	3,721,560:	3,721,600
Rice, hay, beans, peas, seed, hops and miscellaneous agricultural commodities	890,364:	1,157,600:	1,139,900
Naval stores	16,962:	20,930:	20,600
Cottonseed	34,428:	23,250:	23,200
Meat	3,125,663:	3,425,380:	3,372,700
Total, Expenses and Refunds	12,722,934:	13,646,350:	13,494,200
<u>Miscellaneous Contributed Funds,</u>			
<u>Agricultural Marketing Service:</u>			
Cooperation with various contributors for research on retail store avail- ability and consumer purchases of fruit and fruit products	45,230:	45,730:	45,730

(Continued on next page)

Item	Obligations, 1955	Estimated Obligations, 1956	Estimated Obligations, 1957
Trust Funds (Cont'd):			
<u>Miscellaneous Contributed Funds,</u>			
<u>Agricultural Marketing Service</u>			
(Cont'd):			
Cooperative work on control of			
insects in stored grain	3,270:	3,750:	3,750
Cooperative research on insect in-			
festation in whole black pepper ..	6,915:	2,500:	2,500
Cooperative work on industrial			
fumigants for stored products	4,933:	3,750:	3,750
Cooperative studies on consumer pur-			
chases of specified dairy products :	50,000:	25,000:	25,000
Cooperative marketing tests on			
grapefruit and grapefruit products :	2,500:	2,500:	- -
Cooperative marketing tests on			
canned and frozen red sour cherries:	8,000:	- -	- -
Total, Miscellaneous Contributed			
Funds	120,848:	83,230:	80,730
Total, Trust Funds	12,843,782:	13,729,580:	13,574,930
Obligations Under Reimbursements From			
<u>Governmental and Other Sources:</u>			
Marketing research and service:			
Marketing research and agricultural			
estimates	66,495:	43,386:	43,200
Marketing services	544,414:	527,800:	527,800
Subtotal	610,909:	571,186:	571,000
Other	3,937:	684:	500
Total, Reimbursements from Govern-			
mental and Other Sources	614,846:	571,870:	571,500
TOTAL OBLIGATIONS UNDER ALLOCATIONS			
AND OTHER FUNDS	37,075,824:	66,074,600:	14,942,030

EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES,
DEPARTMENT OF AGRICULTURE (COTTON PRICE ADJUSTMENT)

The Third Deficiency Appropriation Act, fiscal year 1937, provided that not to exceed \$65,000,000 of the funds available under Sec. 32 of the Act approved August 24, 1935 (7 U.S.C. 612c), in each of the fiscal years 1938 and 1939, shall be available (at such times and in such amounts as the Secretary of Agriculture may determine) until expended for a price-adjustment payment with respect to the 1937 cotton crop to cotton producers who have complied with the provisions of the Agricultural Adjustment Act of 1938.

In fiscal year 1956, \$255 was transferred to the account established for the Sec. 32 appropriation for fiscal year 1939 and was subsequently returned to the surplus fund of the Treasury. All subsequent collections will be deposited directly to the surplus fund of the Treasury since there has been no program activity for a number of years.

PASSENGER MOTOR VEHICLES

The 1957 estimates provide for the replacement of 73 passenger cars representing 19 percent of the total of 380 cars available to the Agricultural Marketing Service. These replacements include: (a) 16 cars for Marketing Research and Agricultural Estimates activities; (b) 39 cars for Marketing Services activities; (c) 17 cars for Market Inspection and related trust fund activities; (d) 1 car for Perishable Agricultural Commodities Act fund activities. .

Passenger vehicles are replaced on the basis of justification with respect to mileage and age standards prescribed by the General Services Administration which provide that vehicles to be replaced must be at least six or more years of age or driven 60,000 miles or more, and other factors.

The number of passenger motor vehicles estimated to be available for 1957 represents the minimum required to maintain essential services of the current programs of the Agricultural Marketing Service. These cars are used in providing the following necessary services: (1) carrying special grading and testing equipment used for inspecting and grading commodities and for work required under U.S. Warehouse Act, Packers and Stockyards Act, U. S. Grain Standards Act, Cotton Acts, and Naval Stores Act; (2) carrying special crop meter equipment used in connection with surveying crop conditions at farms; (3) collection of samples for checking and testing under U.S. Grain Standards Act, Cotton Acts, and for inspection of farm products; (4) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and for assistance to farmers in preparing tobacco for market; (5) for travel to places which are in most cases not accessible by common carrier, such as travel to farms, market terminals, offices of produce dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators, railroad yards, piers, grain elevators, and warehouses.

The cars are assigned to those field offices of the Division which require the use of cars in the efficient operation of their programs, after it has been determined that the use of Government vehicles is more economical than to pay mileage rates for use of private cars and the use of common carrier has not been feasible. For example, in the inspection of fruits and vegetables, the cars are assigned to field offices on the basis of the volume of work. This inspection service is performed on a fee basis and by using these cars the inspectors are able to service a greater area without any loss in time or revenue.

To assure proper utilization of cars, monthly operating reports are required and periodic surveys are made to determine the extent to which the vehicles are being used and their condition. Cars which are found to be in excess of the needs of an office are recommended for reassignment to other locations or declared surplus.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1955 follows:

Age Data		Mileage Data	
<u>Age-Year Model</u>	<u>Number of Vehicles</u>	<u>Lifetime Mileage</u>	<u>Number of Vehicles</u>
1955	53	0 - 1,000	8
1954	32	1,000 - 10,000	54
1953	44	10,000 - 20,000	50
1952	66	20,000 - 30,000	44
1951	49	30,000 - 40,000	61
1950	49	40,000 - 50,000	64
1949	54	50,000 - 60,000	64
1948	40	60,000 - 80,000	58
1947	27	80,000 - 100,000	15
1946 and older	<u>7</u>	over 100,000	<u>3</u>
Total	<u><u>421</u></u>	Total	<u><u>421</u></u>

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service administers the foreign agricultural programs of the Department and develops plans and policies related to the administration of the foreign affairs and interests of U. S. Agriculture. It disseminates to American agriculture the basic information essential to the aggressive foreign marketing of U. S. agricultural products and to making necessary adjustments to meet changing situations abroad. The Service works in the following fields:

Foreign Market Development -- The Service conducts a broad program designed to develop foreign outlets for agricultural products and analyzes competition and demand factors relating to foreign marketing. It administers export programs, including programs under the Agricultural Trade Development Act of 1954 and related authorizations, as well as import programs and controls. The Service represents the Department at international commodity conferences and on foreign commodity matters at national conferences. Work directly related to the development of foreign markets is financed from funds allotted to the Service under the appropriation "Removal of Surplus Agricultural Commodities" pursuant to Section 32 of the Act of August 24, 1935 as amended, and with foreign currencies accruing from sales of agricultural commodities under Section 104(a) of Public Law 480, approved July 10, 1954.

Foreign Agricultural Trade and Analysis -- The Service directs and coordinates the continuous economic analysis and interpretation of world conditions and developments that significantly affect the retention and expansion of foreign markets for American products. It analyzes and interprets world trends in foreign agricultural products, trade, price, finance, consumption and economic policies of foreign governments as such trends affect United States foreign agricultural trade. It analyzes the effects of restrictive trade policies on the demand for American farm products and develops and coordinates the basic policies and programs for the removal or easing of restrictions and for the encouragement of world trade in American agricultural products. The Service participates in agricultural international organizations and trade conferences.

Agricultural Attaches -- The Service directs and coordinates a world-wide agricultural attache service with particular emphasis on the development of markets for American products, and on trade reporting from foreign areas designed to aid American farmers and exporters.

Assistance to International Cooperation Administration -- The Service also participates in the administration of the agricultural portion of the foreign assistance program with funds allocated from the International Cooperation Administration. This work includes coordination of the Department's participation in the program and direction of the training program for foreign agricultural leaders, and the providing of technical information and advice in connection with the operation of the agricultural technical assistance program in foreign countries.

As of November 30, 1955, there were 598 employees in the Foreign Agricultural Service. Of this total, 316 were paid from the appropriation.

Salaries and expenses, Foreign Agricultural Service, 196 were paid from funds allotted under the appropriation "Removal of Surplus Agricultural Commodities (Section 32), and 86 were paid from allocations and reimbursements from other agencies. Of the total number of employees, 435 were located in Washington, D. C. and 163 were stationed in foreign countries.

	Estimated Available, <u>1956</u>	Budget Estimate, <u>1957</u>
Appropriated funds	\$3,504,600	\$3,890,000

Salaries and Expenses

Appropriation Act, 1956	\$3,365,000
Proposed supplemental, 1956, for increased pay costs	141,600
Activities transferred in the 1957 estimates to "Salaries and expenses, Office of the Secretary of Agriculture" for personnel investigations work	-2,000
Base for 1957	3,504,600
Budget Estimate, 1957	3,890,000
Increase	<u>+385,400</u>

SUMMARY OF INCREASES, 1957

To intensify analyses by countries of factors affecting possibilities for expanding American export markets for U. S. agricultural products	+227,400
To expand studies to determine the magnitude of present and potential world competition with American agricultural products	+158,000

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase	1957 (estimated)
1. Analysis of foreign agriculture and trade ..	\$787,757	\$897,600	+\$385,400(1)	\$1,283,000
2. Agricultural attaches	1,718,068	2,607,000	- -	2,607,000
Unobligated balance	1,175	- -	- -	- -
Total pay act costs (P. L. 94)	[39,564]	[145,270]	[+23,400]	[168,670]
Total available or estimate:	2,507,000	3,504,600	385,400	3,890,000
Transferred from "Salaries and expenses, State" ...	-1,400,000	- -		
Transfer in the 1956 estimates from:				
"Salaries and expenses, State"	-100,000	- -		
"Government in occupied areas, State"	-50,000	- -		
Transferred to "Salaries and expenses, Office of the General Counsel, Agriculture"	+6,000	- -		
Transfer in the 1957 estimates to "Salaries and expenses, Office of the Secretary of Agriculture"	+2,000	+2,000		
Proposed supplemental due to pay increases	- -	-141,600		
Total appropriation or estimate	965,000	3,365,000		

INCREASES

- (1) The increase of \$385,400 under the activity 'Analysis of Foreign Agriculture and Trade' is composed of the following:

(a) An increase of \$227,400 for analyses by countries of factors affecting possibilities for expanding export markets for U. S. agricultural products

Need for Increase: There is an urgent need to intensify the analysis by countries or other areas, of factors affecting the expansion of markets for U. S. agricultural products. Extensive studies are required to determine and identify the barriers to trade country by country, and the possible steps which may be taken by the U. S. to induce foreign governments to relax restrictions so as to further multilateral trade. Relaxation of trade restrictions will improve opportunities for expanding export markets for U. S. agricultural commodities. There is a need for further detailed analysis of U. S. agricultural trade to discover new trends and developments. There is also a need to make further studies of the effect the trade agreement program has on U. S. agricultural trade.

Plan of Work: Information relating to policy and programs which restrict or otherwise affect the sale of U. S. agricultural commodities abroad will be obtained insofar as possible from the agricultural attaches, Foreign Service Reports, reports from Treasury representatives abroad, and from foreign newspapers and periodicals. Where necessary, representatives from Washington will go to foreign countries to get special first-hand information on these problems. This information will be evaluated, its significance indicated, and the results made available to producers, the trade, exporters, and other interested groups.

(b) An increase of \$158,000 for studies to determine the magnitude of present and potential world competition with American agricultural products

Need for Increase: There is a need for more adequate statistics and related facts on foreign production of agricultural commodities competitive with United States production. Information is needed on methods used by other countries to move farm commodities in world trade, together with an analysis of the production and marketing program and economic factors relating to production in foreign countries which affect competition of their agricultural production with that of agricultural commodities produced in the United States. There is a need to make a thorough analysis of incentives used by foreign countries to stimulate their agricultural exports and production for local consumption instead of permitting imports to enter more freely. There is also an urgent need for an analysis for commodity costs and price relationships in foreign markets as related to United States costs and prices.

These facts are needed as a basis for enabling American farmers and trade to meet the competition, and to enable sound policy decisions to be made with respect to agricultural programs in the U. S. Additional work is urgently needed on cotton, dairy and poultry products, fats and oils, fruits and vegetables, grain, tobacco and livestock and meat products.

Plan of Work: In selected areas abroad, studies will be made on production practices, costs, grades, marketing methods, price policies, expansion possibilities, government programs, and any other factors which may be helpful in determining the present and potential competition with U. S. products. Analyses will be made in Washington of the material accumulated on incentives used by foreign countries to stimulate their agricultural exports, and on commodity cost and price relationships in foreign markets as they are related to United States cost and prices. The information will be made available to U. S. trade groups, producers, and exporters.

CHANGES IN LANGUAGE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

- For necessary expenses for the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954 ([Public
- 1 law 690, approved August 28, 1954] 68 Stat. 908), and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed
- 2, 3 [\$20,000] \$25,000 for representation allowances [,\$3,365,000: Provided, That not less than \$250,000 of the funds contained in this appropriation shall be available to obtain statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis] and for extending courtesies to representatives of foreign
- 4 countries, \$3,890,000.

The first change in language inserts the U. S. Statutes at Large citation to title VI of the Agricultural Act of 1954 in lieu of the Public Law reference.

The second and fourth changes in language would increase from \$20,000 to \$25,000 the limitation for representation allowances in foreign countries and would permit the use of a portion of this limitation for extending courtesies in the United States to representatives of foreign governments.

The funds for representation allowances are used primarily by agricultural attaches in foreign countries. The increase in this limitation would permit making modest representation allowances to marketing specialists of the Department who are engaged in the development and promotion in foreign countries of foreign markets for agricultural commodities. In addition, the proposed language would provide for the payment of expenses of necessary official entertainment and other courtesies extended in the United States to representatives of foreign countries concerned with agricultural matters. This language would extend to a limited number of top officials in the Department in the United States the same type of authority which is presently available to the agricultural attaches stationed in foreign

countries and which is presently available to many agencies of the Government. This authority is urgently needed in view of the increasing importance of the Department's activities concerned with the development of foreign markets for surplus agricultural commodities.

It is the custom in foreign countries for official government representatives to arrange for dinners, receptions and other types of hospitality for visiting officials from this Department. In accordance with international practice, officials of the Department are expected to extend similar courtesies to representatives of foreign governments when they visit the United States. Extension of courtesies of this nature helps to establish conditions which permit the most effective working relationships, and is essential to the successful accomplishment of the objectives of the Department's foreign agricultural work. Expenses under this provision would be authorized by the Secretary or Acting Secretary, the Assistant Secretary for Marketing and Foreign Agriculture, and the Administrator, Foreign Agricultural Service.

The third change in language proposes deletion of the proviso stating the \$250,000 of this appropriation shall be available to obtain statistics and related facts on foreign production and full and complete information on methods used by other countries to move foreign commodities in world trade on a competitive basis. The Service is in full agreement with the objective of the language which it is proposed be deleted, and is increasing its activity in this area. The language requires additional accounting records, and is complicated by the fact that many of the employees who contribute to the studies are also engaged in other work, thus necessitating the maintenance of detailed time reports which serve no useful purpose other than determining the amount to be charged to the limitation account.

STATUS OF PROGRAM

Current Activities: Current facts with respect to foreign agricultural production, markets, policies and competition are gathered, analyzed, interpreted and disseminated to meet the needs of United States farmers, business and Government. Such facts are made available, in person and through publications, wherever decisions are made on important foreign economic and other problems so that the interests and problems of U. S. farmers may be taken into account in making such decisions.

The stabilization and expansion of world trade, particularly in agricultural products, is actively encouraged through the removal of barriers to trade, the solution of monetary problems, the study of foreign competition with American products, the analysis of market situations affecting the sale of agricultural commodities throughout the world, and making facts obtained available to U. S. farmers, processors, exporters and other interested groups.

United States agricultural interests are represented and their position presented in development of international agreements.

Agricultural Attaches are employed and stationed in more than 50 countries throughout the world to represent U. S. agriculture at their posts. Their work includes a comprehensive system of reporting to meet the needs of U. S. agriculture, to speak on behalf of American agriculture at their posts, and to take appropriate steps in the development of foreign markets for U. S. agricultural products.

Selected Examples of Recent Progress:

1. 1946 Trade Agreement with the Philippines Revised: During the past year the Foreign Agricultural Service participated in work leading to the formal revision of the 1946 Trade Agreement with the Philippines. This participation involved representation on the U. S. Delegation, preparation of extensive background material, attendance at public hearings, and extensive negotiation with the Philippine Economic Mission. One principal result of the revision is the creation of relations favorable to the continuation of present markets for U. S. agricultural commodities in the Philippines. The total exports are \$50 to \$60 million annually, and the main products are wheat flour and dairy products.
2. GATT Organization and Procedures Revised: During the past year the Foreign Agricultural Service, representing the Department, participated in the Ninth Session of GATT (General Agreement on Tariffs and Trade) at Geneva, which was mainly a review of the GATT organization and procedures since their inception in 1948. Out of this came several

protocols revising the general provisions of GATT and a proposed agreement for an Organization for Trade Cooperation to administer the GATT.

3. Japanese Tariffs Reduced: Beginning in July 1954 and continuing throughout fiscal year 1955, the Foreign Agricultural Service, representing the Department, participated in tariff negotiations involving the accession of Japan to the GATT. These negotiations involving Japan and 17 other countries were concluded in Geneva on June 7. United States negotiations with Japan resulted in concessions by Japan on commodities involving \$397 million in imports from the United States, and in concessions by the United States on commodities involving \$178 million in U. S. imports from all countries, of which about 75 percent were imports from Japan.
4. Foreign Agricultural Digest Provides More Current Information: In January 1955, the Foreign Agricultural Service began issuing a Foreign Agricultural Trade Digest which gives current information on the trade situation for agricultural products. Special statistical procedures have been developed for approximating U. S. agricultural exports in advance of the completed tabulation by Census to within two or three weeks of the date of issue. This publication is intended to keep the public abreast of the current changes in trade and government regulations and other events affecting trade trends.
5. Current Statistics on Destination of Exports Prepared: During the past year arrangements were made to put U. S. agricultural trade statistics by countries and by commodities on punch cards which makes it possible to compute currently the quantity and value of U. S. exports by countries of destination. This information permits more comprehensive appraisals of the marketing situations and the trading positions of the principal customers for U. S. agricultural products. Publication of these data started in the January 1955 issue of Foreign Agricultural Trade Statistical Report.
6. Soviet Agricultural Policies Analyzed: Considerable time was spent on analyzing the significance of the highly dynamic Soviet agricultural policies and programs of the past year and their probable bearing on competition with United States farm products. Emphasis was laid primarily on the analysis of programs for large expansion of such competitive or potentially competitive crops as wheat, corn and cotton. The report on the subject, entitled "The New Battle for Grain in Soviet Russia," was published in the November, 1954, issue of Foreign Agriculture, and further information appeared in Foreign Crops and Markets for May 23, June 6, and June 13, 1955.

7. Restriction on U. S. Exports Relaxed and Discrimination Reduced: The Service continued to work, together with other U. S. Government agencies, for progressive relaxation of restrictions on and discrimination against U. S. agricultural exports. Consultations on such restrictions and discrimination were held in the framework of the International Monetary Fund and GATT and bilaterally through the American Embassy in cooperation with the agricultural attaches. Particularly notable is the issuance of the third liberalization list by Germany which for the first time contained a number of food items including oilseeds, canned grapefruit, and vegetable oils for technical purposes, which signified the break with an earlier policy of denying liberalization of the food products of the dollar area.

The United Kingdom also proceeded further in trade liberalization.

Sweden issued a liberalization list containing such important agricultural items as cotton, wool, rice, hops, dried fruits including raisins and prunes, fruit juices, canned fruits and berries, canned vegetables and soups, packaged cereal foods, and hides and skins.

Denmark announced the liberalization of cotton, wool, tobacco, hops, peanuts, grass seeds, and various oils.

Belgium, Luxembourg, and the Netherlands issued common lists of liberalized items which included cotton, tobacco, peanuts, soybeans, vegetable oils, tallow, corn, coarse grains, grain sorghums, cereal flour except wheat flour, starches, feeds and fodders, canned soups and fruits, dried and canned vegetables, legumes, powdered and condensed milk and cream, and honey. The Netherlands as an actual practice eliminated entire discrimination against agricultural products.

Efforts to obtain liberalization from other European countries are being continued.

Some progress was made also in non-European countries, particularly in Pakistan where trade liberalization followed the negotiation of their Public Law 480 program which helped to ease the Pakistan exchange position.

8. Cotton Competition in Central America Studied: Early in 1955 the Foreign Agricultural Service sent a cotton specialist to Nicaragua, El Salvador and Guatemala to study the cotton situation in those countries in company with a cotton specialist from the National Cotton Council. The study indicated that cotton production in those countries would probably level off at between 500,000 and 600,000 bales instead of 700,000 to 900,000 bales as estimated by the foreign cotton specialists in Central America. Acreage in these three countries increased from the 1935-39 average

of 21,000 acres to an estimated 303,000 acres in 1954-55, while production increased from the 1935-39 average of 12,000 bales to an estimated 285,000 bales in 1954-55.

9. Cotton Competition in the Matamoros Area of Mexico

Analyzed: In the spring of 1955 a cotton specialist went to the Matamoros area of Mexico to investigate the reported expansion of acreage of cotton in that area. The investigation revealed that acreage had been increased by about 200,000 acres this year. However, due to a shortage of water for the irrigated area and a drought for the rain-grown area, production is not expected to increase in proportion to the increase in acreage. The investigation also revealed that about 2 million additional acres of idle land could be planted to cotton if water were available. However, further acreage expansion is not expected to be significant since water supplies are inadequate. The study indicated that a moderate reduction in world prices would be absorbed by reduced standards of living on the part of the producers and that cotton acreage would probably not be reduced.

10. World Pepper Situation Reviewed: The Sugar and Tropical Products Division commenced a special study of the world pepper situation in mid-November, 1954, the first such analysis prepared by the Foreign Agricultural Service. While the research for the study was begun in response to a request for information on this commodity by Foreign Operations Administration, the finished publication will be of considerable interest to the U. S. spice trade.

The report involves a detailed analysis of pepper production, trade and consumption from 1946 to date and a forecast of the situation in the near future. Preliminary analysis reveals that, until this year, world pepper production, has not covered world requirements since the prewar (1935-39) period. However, plantings since 1946, particularly in Indonesia and Sarawak, have begun to bear and world production this year will allow importing nations to attain prewar levels of consumption at more reasonable prices. At the same time, the wartime and postwar monopoly position of India in the world market appears to have come to an end as the future indicates surpluses from Indonesia and Sarawak due to production increases. Only the disease factor could prevent world pepper surpluses in the near future.

No detailed information of this type has been available to government and trade in the past. This study followed a preliminary summary of the pepper situation which was prepared for the Foreign Operations Administration. The complete study will be released to the public in July. In the future, it is planned that an annual summary of the world situation will be scheduled for pepper, in which the basic study made this year will be kept current for interested government and trade officials and for the public.

11. Disposal of Dairy Products Aided: A most important event was originated in July 1954 when the Secretary of Agriculture appointed a Dairy Export Advisory Committee to counsel with the Department. The 15 members of this Committee are practical business men who represent all phases of the dairy industry in all sections of the United States. Although several of their recommendations have not, as yet, reached final determination such accomplishments as placing the export sale of butter and nonfat dry milk solids on a bid basis have resulted. Their practical endorsement of the establishment of milk recombining plants in strategic points throughout the world has given considerable stimulus to an excellent method of obtaining permanent foreign markets for U. S. dairy products. Participation in the Cologne Food Fair has been authorized and the Committee Secretary is assuming full responsibility for materials, finances, and management needed for an educational dairy exhibit. Recommendations of this group have been of great help in planning programs.
12. Possibilities for Increasing Sales of U. S. Poultry Products Surveyed: A representative of the Service was accompanied by two industry representatives during the course of visits to Mexico, Panama, Colombia, Peru, Brazil, Venezuela and Cuba in April and May, 1955. This trip was in the nature of a survey of possibilities for increasing sales of U. S. poultry products in the South American area. It was determined that the United States can compete in quality and price with locally produced poultry products. Government authorities in these countries need to be convinced of the desirability of increasing poultry and egg imports so that retail prices can be lowered to permit an increase in consumption by a majority of the local inhabitants. The present system of high prices limits consumption to comparatively wealthy families.
13. Export-Import Bank Loan Recommended: In the spring of 1955 the Foreign Agricultural Service contacted the U. S. Export-Import Bank, the Japanese cotton spinners and the Government of Japan in regard to the feasibility of another Export-Import Bank credit for cotton for Japan. The Japanese spinners and the Government of Japan indicated that another credit would be considered desirable and that the matter would be taken up officially with the Export-Import Bank. The officials at the Bank indicated that a request by the Government of Japan for another credit would probably receive favorable consideration. It is anticipated that the Japanese will request another \$60 million cotton credit for the 1955-56 cotton marketing year.
14. Citrus Recovery from Frost Damage Surveyed: Citrus fruit has become one of the most important export fruit items and the Mediterranean area is the chief competitor. The freeze

in February 1954 severely damaged the fruit and in some areas the trees as well. This factor materially increased the European demand for United States fruit and will continue to do so until the recovery is completed. A marketing specialist surveyed this area in the fall of 1955 and made direct reports to the Florida, Texas and California citrus industry in December and January.

15. Ham Exports to the United States Limited: Since the end of World War II there has been a steady increase in shipments of canned hams to the United States from West Germany, Denmark, and the Netherlands. In recent years the increased exports have been of great concern to domestic hog producers, because of low hog prices in the United States and of concern to domestic processors of canned hams because of the foreign competition. United States imports of hams, shoulders and bacon from these three countries during 1954 totaled 75 million pounds compared with 65 million a year earlier and 9 million in 1950.

Widespread publicity by the meat industry of the fact that these countries and Poland were exporting large quantities of canned hams to the United States and were not purchasing other packing house products in the United States resulted in agitation toward measures to limit these imports.

Foreign Agricultural Service representatives presented these views to representatives of the foreign governments and pointed out that Poland was the principal country to which much of the adverse criticism was directed. The officials of the three governments were satisfied and the strained feeling was relieved.

Government officials in western Germany, Denmark and the Netherlands also agreed to limit exports of canned hams to the United States during 1955 to not more than the quantities shipped during 1954. This commitment is particularly significant in view of the fact that domestic pork production in the United Kingdom, the principal importing nation, has reached such levels as to tend to restrict imports from the principal exporting countries.

16. Agricultural Attaches - Current Status and Future Plans: At the time of the passage of P. L. 690 in late August 1954, the Agricultural Attache Service was at a low ebb. During 1953 the State Department appropriation was reduced 20 percent resulting in a reduction of 22 Agricultural Officers. While agricultural coverage was reasonably good prior to 1953, there remained a sizable portion of Africa, and parts of Asia and Latin America where coverage by agriculturally trained personnel was virtually nonexistent.

During the period September 1954 to the end of June 1955, definite progress has been made in rehabilitating and

strengthening world agricultural representation and coverage. Out of the 55 Agricultural Attaches who were in the State Department at the time of the passage of P. L. 690, 39 transferred to the Department of Agriculture. Meanwhile the Foreign Agricultural Service launched an aggressive post evaluation program. After a careful analysis of primary agricultural intelligence and marketing needs it was determined which posts required additional personnel, and where new posts must be opened to provide the minimum coverage required by American agricultural interests.

It was determined that the number of posts should be increased from 40 to 58. With the 1956 appropriation it has been possible to establish 5 new posts in rapidly changing Africa, 8 new posts in Asia and the Far East, 2 in Latin America, and 3 in Europe. Thus American agriculture will have a broader knowledge of world-wide agricultural developments, trends and problems than ever before.

Immediate steps were taken to recruit 43 additional professionally trained agriculturists to serve as Agricultural Attaches and Assistant Attaches. As of July 1, 1955, all but 4 of these vacancies were manned or in the process of being filled. When the recruitment and training process is finished the Service will have 82 foreign agricultural representatives stationed abroad.

A complete review has been made of reporting schedules and substantial revisions made with the objective of holding routine reporting needs to a minimum. Thus the Attache can spend more time on market development and the forwarding of special spot reports on the most pertinent agricultural developments in his area.

With the recruitment program almost over, emphasis is now being given to programming and re-evaluation of the steps taken during the past year. These will include an effort to improve the Washington and field operations, and an appraisal of how well each post is located and staffed.

The Foreign Agricultural Service is determined to make the Agricultural Attache Service responsive to the needs of the American farmers and agricultural industries and is fully aware that this will require constant appraisal and adjustment to accomplish at a minimum cost. For example the 6 regional offices in Africa and Central America in which one man covers several countries from a central location are being watched very closely for efficiency of operation and adequacy of coverage.

17. Exports Increased Over Prior Year: Exports of agricultural products in the fiscal year 1955 totaled \$3,143 million as compared with \$2,936 million in 1954. This is an increase of about seven per cent. The following table shows the amount of exports by commodity and the per cent of change.

<u>Commodity</u>	<u>1954</u> (millions)	<u>1955</u>	<u>Percent Change</u>
Grains and feeds	\$884	\$883	0
Cotton	674	634	+ 1
Livestock products	405	459	+ 13
Tobacco	300	305	+ 2
Vegetable fats and oils	238	300	+ 26
Fruits and vegetables	256	274	+ 7
Others	179	238	+ 27
Total	\$2,936	\$3,143	+ 7

18. Comparison of the Share of U. S. Production Exported: The following table shows a comparison between fiscal years 1954 and 1955 of the percent of U. S. production of several commodities exported. Although there were increases in most of the items, a few showed decreases. In particular, the drop in rice exports was caused by a decrease in sales to Japan and Korea. Efforts are being made to increase the rice sales to those countries. Soybean production has increased considerably as a result of increasing the acreage where other crops were reduced. While the percent of production exported decreased from 1954 to 1955, the volume of soybean sales increased substantially because the market conditions improved.

(Million Units)

<u>Commodity</u>	<u>FY 1954</u>			<u>FY 1955</u>		
	<u>Produc- tion</u>	<u>Exports</u>	<u>Percent Exported</u>	<u>Produc- tion</u>	<u>Exports</u>	<u>Percent Exported</u>
Cotton (bale)	16.5	3.9	24.0	13.7	3.5	26
Wheat (bu.)	1,169	1/220	18.6	970	1/273	28
Tobacco (lb.) ^{2/}	2,057	530	25.8	1,979	453	23
Rice (bag)	34.2	15.7	45.0	38.3	8.9	23
Sorghums (bu.)	109	8	14.0	204	35	17
Soybeans (bu.)	262	3/ 47	21.0	343	59	17
Lard (lb.)	2,364	422	13.0	2,343	465	20

1/ Includes wheat equivalent of flour.

2/ Export weight.

3/ Includes bean equivalent of oil.

19. Agriculture Now Accounts for 21 Percent of All U. S. Exports: After running at 19 percent of total U. S. exports for 2 years, agricultural exports in fiscal year 1955 accounted for 21 percent of the total. This increase in the proportion of farm exports was due not only to the rise in the value of the agricultural group but also to the decline in the military components of the nonagricultural group.

20. Agricultural Imports Continue to Decline: Agricultural imports during the 1955 fiscal year totaled \$3,786 million, 9 percent less than the year before. Imports in 1955 continued a downward trend that started in 1952 when the total of \$4,699 million fell 9 percent under the 1951 record. Through 1954, principal commodities in the decline were rubber and wool. In 1955, reduced coffee imports made the largest contribution to the drop, but several other important items also were markedly down. Prominent ones were beef and veal, barley, oats, and cane sugar, which declined both in quantity and value. Imports of vegetable fats, oils and waxes were much larger in quantity but slightly smaller in value due to lower prices. Partial offsets to the over-all declines occurred in larger imports of nuts and rubber. Tea imports, although considerably smaller in quantity, increased slightly in value due to higher prices. Price increases raised the value of rubber out of proportion to the quantity increase. Higher prices also raised the value for cacao beans whereas quantity imported was slightly reduced.



Removal of Surplus Agricultural Commodities
(Allotment to Foreign Agricultural Service)

Allotment, 1956 (including \$86,323 for pay act costs)	\$1,482,948
Activities transferred in the 1957 estimates to "Salaries and expenses, Office of the Secretary of Agriculture" for personnel investigations work	-2,215
Base for 1957	1,480,733
Budget Estimate, 1957	1,692,733
Increase	<u>+212,000</u>

SUMMARY OF INCREASES, 1957

To provide exporters and U. S. farm and trade groups with additional facts relating to opportunities for exporting surplus farm commodities	+58,000
To intensify assistance in developing (1) normal commercial foreign marketing, (2) trade promotion programs financed with foreign currencies, and (3) participation in international trade fairs; and to provide technical assistance to U. S. trade groups on overseas sales promotion	+128,300
To provide for a quality analysis of cotton in world markets and to obtain information to determine U. S. pricing policy .	+25,700

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase	1957 (estimated)
1. Foreign Market Promotion	\$1,007,079	\$1,270,248	\$212,000 (1)	\$1,482,248
2. Import Controls	187,633	210,485	- -	210,485
Total pay act costs (P.L. 94)	[23,808]	[86,323]	[+12,000]	[98,323]
Total obligations	1,194,712	1,480,733	+212,000	1,692,733
Unobligated balance				
carried forward	107,700			
Total available	1,302,412			
Transfer to "Salaries and expenses, Office of the Secretary of Agriculture"	+2,000	+2,215		
Recovery of prior year obligations	-7,787			
Proposed supplemental allotment due to pay increases		-86,323		
Total allotment or estimate	1,296,625	1,396,625		

- (1) The increase of \$212,000 under the activity "Foreign Market Promotion" is composed of the following:

(a) An increase of \$58,000 to provide exporters and U. S. farm and trade groups with additional facts relating to opportunities for exporting surplus farm commodities

Need for Increase: Because of a declining farm income and increasing U. S. production, exporters and other farm and trade groups need additional current information on commodity marketing opportunities and ways of consummating sales in various foreign countries. Such commodity trade information is needed in order to move increased quantities of U.S. farm commodities in surplus or potential surplus supply. This is especially true in the case of livestock and meat products, tobacco, poultry and cotton.

Plan of Work: The additional facts needed to exploit more fully the opportunities for exports will be gathered mainly by foreign marketing specialists and agricultural attaches in selected countries where export potentials appear greatest. The findings and recommendations resulting from these investigations will be brought to Department officials and agricultural trade groups through Foreign Agricultural Service publications, special meetings and personal contacts.

(b) An increase of \$128,300 to intensify assistance in developing (1) normal commercial foreign marketing, (2) trade promotion programs financed with foreign currencies, and (3) participation in international trade fairs and to provide technical assistance to U. S. trade groups on overseas sales promotion.

Need for Increase: Congress originally authorized \$700 million for the sale of surplus agricultural commodities for foreign currencies under Title I, P.L. 480 over a 3-year period. This Act has been amended to increase this amount to \$1.5 billion. In so doing, Congress has stipulated that this increase shall not be apportioned by year or by country, but shall be considered as an objective to be reached as rapidly as possible. Country agreement negotiations are carried on both at home and abroad. Effective development of programs is essential to meet the stated objective. More effective assistance to Embassy staffs and agricultural attaches stationed abroad is needed in order that they may adequately explain U. S. policies and objectives, develop and guide U. S. export programs and generate markets for U. S. commodities.

Increased work must be done with respect to individual countries in order to work out the intricate problems of financing, usual marketings, use of sales proceeds, etc. This involves obtaining additional facts from area, commodity, and functional staffs. There is a need for the operational staff to work more closely with representatives of foreign governments to obtain satisfactory applications

for commodity purchase authorizations and work out the many provisions regarding purchasing and shipping of these commodities. Increased effort is needed in planning, supervising and checking on projects in trade promotion carried out in foreign countries with local currencies and for developing and carrying out plans for U. S. agricultural participation in international trade fairs; and providing technical assistance to U. S. trade groups in connection with overseas sales promotion.

Plan of Work: It is planned to increase the Washington staff so that specialized attention can be given to each country in such a way as to keep foreign currency disposal programs moving steadily forward. This includes work to be done in preparing sales programs and negotiating agreements, securing applications for purchase authorizations and preparing, issuing and arranging for carrying out such authorizations through the entire process of shipments and disposition of commodities. More assistance will be given to the Embassy Staff and agricultural attaches overseas with respect to Title I sales as well as other U. S. export programs through correspondence and foreign travel as appropriate. Specialists will devote full time to such matters as agricultural trade fairs abroad, market development projects financed through proceeds of sales under Title I of P.L.480 and general overseas trade promotion.

(c) An increase of \$25,700 to provide for a quality analysis of cotton in world markets and to obtain information to determine U. S. pricing policy.

Need for Increase: Information is needed in order to evaluate the competitive position of the quality characteristics of United States cotton in world trade. Department of Agriculture marketing specialists, agricultural attaches, and United States cotton exporters need this information in order to be able to demonstrate the superior qualities of United States cotton. U. S. domestic breeders also need information as to respect in which certain foreign cottons may be superior and what fiber characteristics might profitably be incorporated into the U. S. breeding programs. The information obtained in these studies is also needed in comparing prices of foreign cottons in the major markets on a quality basis with those of the United States. This will make it possible to determine a realistic pricing policy with regard to United States cotton. No systematic study of this nature has ever been made by the Federal Government.

Plan of Work: A sampling will be made of foreign cottons sold in world markets. Laboratory and spinning tests will be made and the quality of these cottons will be compared with the quality of cottons produced in the United States. Marketing specialists will work with agricultural attaches and with the private trade in collecting, describing, and identifying the required samples, and cooperative arrangements will be made with other agencies in the Department to carry out the laboratory and spinning tests, probably with the Agricultural Marketing Service, since this organization is now engaged in making such tests on United States cotton. A small pilot project to gain experience will be undertaken in 1956.

Allotment from Section 32 to the Foreign Agricultural Service

STATUS OF PROGRAM

Current Activities:

The Foreign Agricultural Service receives an allotment from Section 32 funds to carry out a broad program aimed at developing markets abroad for United States agricultural products in surplus or potential surplus supply. Under this allotment, the Service also administers export programs, including those under the Agricultural Trade Development and Assistance Act, Public Law 480, and related authorizations, as well as import programs and controls.

Selected Examples of Recent Progress:

Foreign Market Promotion:

1. Quality of U. S. Exports of Wheat and Other Grains

Investigated and Reported: Marketing specialists were sent to Asian, African, European and Latin American countries to work out problems related to the export of U. S. wheat and wheat products to those markets. These specialists explained the features of U. S. grain standards and inspection procedures to importers and government officials in the countries visited.

In addition, for comparative and analytical purposes, samples of wheat from the United States and other countries were taken from ships unloading in several European ports. The results indicated that the United States wheats satisfactorily met the specifications of the contract grades, with no evidence of excess foreign matter. However, wheats from certain other countries, at comparable or competitive prices, were cleaner and superior in baking qualities. The exporters have been informed in general terms of the results of this study of wheat samples. This information was used at a meeting held in September 1955 to review the official United States standards for wheat.

These investigations appear to have demonstrated to U. S. exporters the need for improving the quality of wheat being exported. The marketing specialists have also been successful in developing an awareness among foreign purchasers of some of the advantages possible to them through a more realistic understanding of the several market classes of wheat available in the United States.

These efforts have been reflected in the resumption of wheat shipments to Switzerland, and in the development of quality differentials within Germany which have resulted in

increased shipments to that country, and which should improve the competitive position of U. S. wheat in free trade with Germany.

2. Export Markets for Seeds Investigated: A marketing specialist has made two trips to Europe and one trip to the Far East, Southern Asia, Australia and New Zealand to investigate markets for seeds. The specialist developed a number of contacts in the European trade which have resulted in their directing a large volume of business to the United States. Exports of grass and legume seeds to Europe in 10 months of 1955 exceed 48.0 million pounds, most of which was purchased with dollars, in comparison with exports of only 26.6 million pounds in 12 months of 1954.

Arrangements were also made for the supply of experimental lots of seed to several European experiment stations. In one instance this practice resulted in an authorization for the purchase of \$300,000 worth of alfalfa seed from the United States during 1955.

Efforts in Australia have resulted in authorizations for the importation of over \$200,000 worth of seeds from the United States.

Contacts with the seed trade in the United States and in Europe has stimulated an exchange of visits by commercial seedsmen from both continents. This exchange of visits is already resulting in an increased two-way trade.

3. Exports of American Cotton Stimulated: In the fall of 1954 and the spring of 1955 the Foreign Agricultural Service dispatched marketing specialists to Europe and the Far East in order to determine the market potential for American cotton and in order to initiate action to remove obstacles that were holding up exports of cotton both under regular dollar sales and under Public Law 480. These efforts resulted in the movement of more cotton, particularly under Public Law 480.
4. Use of American Tobacco in Pakistan Encouraged: While on a survey trip to Pakistan, the representative of the Foreign Agricultural Service, was able to convince officials of a large new manufacturing concern to use American tobacco for blending purposes. Previously, this concern had planned to use domestic tobacco exclusively. This accomplishment should result in larger exports to Pakistan in the years ahead.
5. Restrictions on U. S. Fruit Imports Being Revised: During the postwar years, the United Kingdom has severely restricted the importation of all fruit from dollar areas. Discussions were started with officials of the United Kingdom Government late last summer and continued throughout the year to gain a

liberalization for fruit in the United Kingdom which was the best customer of the United States prior to World War II. A total of \$16.1 million for United States fruit was authorized for the 1955 fiscal year, as follows: fresh apples \$1.7 million, concentrated orange juice \$1.4, fresh and processed oranges, grapefruit, and lemons \$6.0, dried fruit \$4.0 and canned pears and mixed fruit \$3.0 million. Discussions are underway on the fiscal year 1956 imports of United States fruits.

6. Effects of Temperature and Humidity on Citrus Fruit Exports

Studied: The Foreign Agricultural Service cooperated with the Agricultural Marketing Service in conducting shipping tests on fresh citrus exported to Europe during the last winter and continuing through the summer of 1955. These tests included a study of precooling, temperature and humidity during transit, the arrival condition of the fruit as well as its keeping quality for several days thereafter. Even though the work is not completed, several helpful suggestions have been made to the citrus fruit industry as well as to the importers in Europe. These tests are expected to be of material benefit to the exporters of fresh citrus.

7. Restrictions on United States Lard Imports Relaxed: An official of this Service in company with the Agricultural Attache in Bonn began discussions on the relaxation of the refined lard import duty of 20 percent and 4 percent equalization tax to correspond to the 10 percent duty applied to prime steam lard. The German authorities agreed to specify that it would be a relaxation on the part of the customs officials rather than attempting to go through the German Parliament and change the law. The result has been that the German Government placed this customs relaxation before the General Agreement on Tariffs and Trade meeting at Geneva recently where it was approved.

Prior to going to Germany, meetings with the lard producing groups in the United States indicated very clearly that unless sufficient American dollars were made available in Germany for the purchase of American lard that the speculators on the eastern seaboard would obtain the import certificates into Germany and very possibly ship a very poor quality of lard which would have a disastrous effect upon the future market for American lard in Germany.

The marketing specialist in conjunction with the Agricultural Attache in Bonn worked with the federal German authorities toward the \$8,000,000 open tender for the purchase of American produced lard.

8. Lard and Tallow to Poland for Dollars Acquired by Sale of Polish Hams: In recent years substantial quantities of canned pork products have been imported from Poland. These pork products were imported in competition with domestic suppliers while none of the United States pork products were being

exported to Poland. The economic aspects of this situation were thoroughly discussed with industry representatives and the sole importer of Polish pork products. These meetings resulted in commitments from the importer to purchase lard and tallow for export to Poland. Purchases of 300 metric tons of lard and 500 metric tons of inedible tallow have already been made. Additional purchases for export to Poland will follow. Thus a two-fold objective has been achieved: (1) a new market has been opened for these commodities - both are produced in excess of domestic requirements, and (2) the flow of United States dollars behind the iron curtain has been reduced by an equivalent amount.

9. Argentine Tung Oil Situation Appraised: With supplies of Chinese tung oil under embargo, Argentina has become the principal foreign source of tung oil for the United States and hence the principal source of competition for U. S. producers. When production is normal in both the United States and Argentina, total supplies are greatly in excess of U. S. consumption at price support levels. A fats and oils marketing specialist went to Argentina in May 1955 to determine the remaining supplies of tung oil from 1954 crop nuts and the quantity likely to be produced in the 1955-56 market-year from nuts harvested in 1955. On the basis of this information, the Department of Agriculture is in a better position to discuss the tung oil import agreement with Argentina for the remainder of this year and for the next marketing year. The same information also stimulated sales of CCC tung oil to private trade in the United States since it indicated that Argentine production was down from previous levels.
10. Soybean Samples Collected at Foreign Ports: During early 1955 with record plantings in prospect, it became even more apparent that American soybeans would be highly dependent on foreign outlets if the United States was to avoid a large carry over when the 1956 crop became available. To bring to the attention of American producers and traders some evidence of the nature of their competition, about 25 cargo samples were collected in foreign ports of destination from all exporting countries. With the cooperation of the Agricultural Marketing Service, these cargo samples are being graded according to the U. S. standards for soybeans and will be available for display at producer and industry meetings. In general, Manchurian and other non-American sources of soybeans have been preferred by European and Japanese buyers because of lower foreign material and uniform yellow color. The display samples should help the American trade tailor its product to foreign demand.
11. Additional Markets for Dairy Products Surveyed: During June, July and August 1954 a marketing specialist visited several Asian and European countries to survey possibilities of commercial outlets for United States dairy products. This preliminary trip engendered considerable interest with

the result that a second specialist spent two months in India and Pakistan to consolidate and coordinate a firm dairy program. It now appears that 35 to 40 million pounds of United States butter (in the form of ghee) will be sold to these two countries during the next three years under Public Law 480 programs. A further result of these trips will be the establishment of 4 plants in India and 2 plants in Pakistan to recombine United States anhydrous milk fat and nonfat dry milk solids into fresh pasteurized milk.

This marketing specialist also rendered valuable technical assistance to government officials of the Dominican Republic by conducting practical demonstrations in the operation of a recombining milk plant in that country. Promotional calls were also made in Cuba, Haiti, El Salvador, Honduras and Nicaragua during this same trip which took place in January and February, 1955. It was proposed that United States anhydrous milk fat and nonfat dry milk solids be used to supplement local milk supplies during periods of relative scarcity so that consumers might always have sufficient milk for their needs. As a result of this trip, shipments of U. S. dairy products to countries in the Caribbean area are being made. It is expected that shipments will increase in number and size with the further introduction of milk recombining plants as advocated by the Service.

The theme of using recombined milk to supplement local supplies will be stressed in visits to Peru, Ecuador, Colombia, Venezuela, Trinidad, British Guiana, Panama and Guatemala during June and July 1955.

12. German Imports of Fruits and Vegetables Liberalized:
Liberalization of German imports of dollar fruit and vegetable items began with liberalization of canned grapefruit segments on July 1, 1955. On October 1, 1955, open individual licenses were authorized for dried fruits and pulses from the dollar area. On December 6, 1955, open individual licenses were announced for fresh apples and pears from the dollar area for the 1955-56 marketing season. Liberalization for fresh citrus fruits and canned fruit juices has been promised early in 1956.
13. Technical Service to Foreign Cotton Spinners Established:
Progress was made during the year in developing a program of technical service to foreign spinners using United States cotton. All of the major European countries using United States cotton were visited in the autumn of 1955 by technical experts from the Department of Agriculture to exchange views with the experts in foreign mills on problems and opportunities of capitalizing on the superior spinning qualities of United States cotton. These first efforts have served as the basis for developing a long range program of cooperating with foreign spinners at the technical level in laboratory techniques and the application of fiber testing to

spinning efficiency. This service should result in foreign spinners using more American cotton.

14. Soybean Market in Japan Promoted: In recent years Japan has been by far the largest single outlet for American soybeans and has contributed much to our expanding export market. However, because of the proximity to China-Manchuria, the principal pre-war source of soybeans for Japan, and the better suitability of Chinese beans to Japanese end users, pressures increased in Japan to return more and more of this trade to China at the expense of the United States. To forestall this development, the Department sent a 2-man team of soybean experts to Japan, to promote the qualities and price advantages of American soybeans, and to explain and demonstrate U. S. grading standards. As a result of their work, which was coordinated through the American Embassy in Tokyo, a much better understanding has been achieved between American and Japanese soybean interests. It appears hopeful that we can meet Japanese contracts for the quality of soybeans needed there. In the meantime, the United States has registered a protest with the Japanese government over a recent allocation arrangement which favors China-Manchuria as a supplier.
15. Information with respect to activities under Public Law 480, relating the sale of surplus agricultural commodities for foreign currencies (Title I), and the transfer of surplus commodities for famine relief and other assistance abroad (Title II) is included in these Explanatory Notes under the section headed "Activities under Public Law 480".

Import Controls:

1. Section 22 Investigations Conducted: Section 22 of the Agricultural Adjustment Act, as amended, is designed to protect agricultural programs from being materially interfered with by imports. During the period July 1, 1954 through June 30, 1955, preliminary investigations were conducted on 23 commodities. The Tariff Commission conducted investigations on 9 of these commodities - peanuts, tung nuts and tung oil, almonds, filberts, walnuts, certain dairy products, rye, oats and barley. As a result, import restrictions have been applied or modified for all but 3 of these commodities - tung nuts and oil, walnuts, and certain dairy products. A decision on the latter is still pending.
2. Section 22 Import Licenses Issued: Presidential Proclamations 3019 and 3025 issued in June 1953 under Section 22 of the Agricultural Adjustment Act, as amended, give the Department of Agriculture responsibility for apportioning imports and issuing import licenses for certain manufactured dairy products. During the period July 1, 1954 through June 30, 1955, 2,284 licenses for imports of cheese were prepared; about 600 transfers were authorized and about 60 petitions for relief from hardship were received and examined. In addition, about 74 licenses for imports of manufactured dairy products other than cheese were issued.

ACTIVITIES UNDER PUBLIC LAW 480,
AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT

This statement sets forth the progress of work for the following:

- I. Sale of commodities under Title I of Public Law 480 for foreign currencies.
- II. Provision of commodities to friendly peoples for emergency famine relief under Title II of Public Law 480.
- III. Sale of commodities for foreign currencies under the Mutual Security Act.
- IV. Use of Public Law 480 foreign currencies by the Foreign Agricultural Service for Foreign Market Development Work.

* * * * *

- I. Operations under Title I of Public Law 480. Title I of the Agricultural Trade Development and Assistance Act (Public Law 480) authorizes the President to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. In negotiating such agreements the President is required, among other things, to take reasonable precautions to safeguard usual marketings of the United States and to assure that sales for foreign currencies will not unduly disrupt world prices, to take appropriate steps to assure the use of private trade channels, and to give special consideration to the development and expansion of demand abroad for agricultural commodities. The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from sales for various purposes.

As of June 30, 1955, a total of 21 agreements had been signed with 17 foreign governments. The total value of these agreements based on costs to the Commodity Credit Corporation was approximately \$469 million, and the export market value of the commodities amounted to about \$330 million, exclusive of ocean transportation costs to be financed by CCC.

By December 31, 1955, about 80 percent of the market value of all commodities authorized under these agreements had been exported and - except for cotton - shipments were substantially complete. More than 53 percent of the value of the cotton under these agreements was exported by December 31, 1955, and the remainder will be shipped during the following 6 months.

By December 31, 1955, additional agreements were signed which brought the total program to 33 agreements with 22 countries and the total CCC cost to \$679 million. The market value of these commodities amounts to about \$504 million, including ocean transportation to be financed by Commodity Credit Corporation. Total shipments of all commodities under all agreements totaled almost $2\frac{1}{2}$ million tons through December 31, 1955.

It is estimated the CCC cost for agreements signed and expected to be signed in 1956 will total about \$700 million with a market value of

about 528 million. If all the agreements now contemplated through June 30, 1956, are signed, the total program since the beginning should amount to about \$1.17 billion by the end of this fiscal year.

The commodity composition of agreements concluded through December 31, 1955, is as follows:

Commodity	Approximate quantity	Market value	CCC cost
		(million dollars)	
Wheat & wheat flour	87 million bushels *	149.7	279.8
Feed grains	811 thousand metric tons **	45.3	69.9
Rice	2 million hundredweights	14.5	21.2
Cotton	697 thousand bales	133.5	133.5
Tobacco	59 million pounds	39.1	39.1
Dairy products	58 million pounds	8.0	12.8
Edible oils	462 million pounds	67.0	75.8
Poultry	3 million pounds	1.1	1.1
Dry edible beans	22 thousand hundredweights	0.3	0.3
Total commodities		458.5	633.5
Ocean transportation		45.2	45.2
Total, including ocean transportation:		503.7	678.7

* Wheat equivalent

** Includes 110 thousand M.T. programmed for feed grains and/or wheat

Approximately two-thirds of the value of programs authorized during the 1955 fiscal year provided for the financing of export sales of two of the most burdensome surplus commodities - wheat and cotton. These amounts equal about 25 percent of United States exports of wheat and about 17 percent of United States exports of cotton during fiscal year 1955.

Agreements have been signed, which include shipments of tobacco to the following countries: Israel, Pakistan, United Kingdom, Japan, Korea, Finland, Italy, Austria, Brazil, Ecuador, France, Thailand, and Spain. This will provide for the movement of about \$39 million worth of tobacco, (about 59 million pounds) over and above normal purchases for dollars. Due to efforts of agricultural attaches and of marketing specialists, tobacco has been moved into countries which had purchased little in the last several years.

The Korean agreement, for 5 million worth of tobacco (about 10 million pounds) is noteworthy since that country represents an entirely new market for United States leaf.

For the fiscal year 1955, exports during the first 10 months were about 3 percent above those for the corresponding period of the 1954 fiscal year.

A particularly interesting example of the problems encountered in negotiating country agreements is the agreement with the Government of Pakistan. In order to arrive at the sale of the approximately 130 thousand bales of cotton it was necessary to assist the Pakistan Government in negotiating with third countries so that the cotton which is sold to Pakistan for rupees is actually shipped to other countries which in turn will ship an equivalent value of finished textiles to Pakistan. This agreement also provides for the sale of 4 million pounds of a butter oil product known as ghee which is not normally manufactured in the United States. It was necessary for representatives of the Foreign Agricultural Service in Pakistan to determine the potential market for this product and for the Department to arrange with suppliers in the United States for its manufacture. Serious technical obstacles had to be overcome before samples could be produced that would satisfy the taste of the Pakistan consumer.

In another instance, the Government of Finland was interested in expanding its trade with the West and indicated an interest in United States cotton and tobacco, but the uses of the Finnish currency to be deposited in payment therefor presented some problems. An arrangement was worked out whereby this currency is to be used to purchase prefabricated houses in Finland which are to be shipped to other European countries to provide dependent housing for the United States armed forces, thus, providing a Western market for a segment of Finnish industry that has previously had to look largely to the East.

The following tables show by countries since the inception of the program through December 31, 1955, the commodity composition of the programs, approximate quantity, and the planned uses of the foreign currencies to be received under the agreements signed.

Table I. - Commodities Sold Under Title 1, Public Law 480, as of December 31, 1955

Country	Wheat	Grains	Feed	Dry	Rice	Cotton	Tobacco	Dairy	Edible:Poultry	Market:trans-ocean	trans-	value	portation a/	portation a/b/
		beans:						products:	oils:	value	portation a/	portation a/b/		
								(Million dollars)						
Argentina	--	--	--	--	--	--	--	--	30.4	--	30.4	31.1	--	34.0
Austria	--	4.5	--	--	--	0.5	0.5	--	--	--	5.5	6.1	--	8.3
Brazil	32.1	3.0	--	--	--	--	0.2	--	1.8	--	37.1	41.2	--	71.8
Chile	2.2	--	--	--	--	--	--	--	2.4	--	4.6	5.0	--	7.7
Colombia	5.0	--	--	--	--	7.6	--	0.7	2.5	--	15.8	16.9	--	21.1
Ecuador	1.1	--	--	--	--	0.9	0.2	--	1.5	--	3.7	4.0	--	4.8
Egypt	4.8	--	--	--	--	--	--	--	--	--	4.8	5.6	--	10.7
Finland	--	--	--	--	--	2.9	2.2	--	--	--	5.1	5.3	--	5.3
France	--	--	--	--	--	--	0.6	--	--	--	0.6	0.6	--	0.6
Germany	--	--	--	--	--	--	--	--	--	1.1	1.1	1.2	--	1.2
Greece	5.3	2.7	--	--	--	--	--	2.7	2.4	--	13.1	14.6	--	21.1
Israel	11.15	6.4	0.3	--	0.05	2.6	0.4	2.4	2.9	--	26.2	30.0	--	46.7
Italy	--	9.1	--	--	--	35.9	3.2	--	--	--	48.2	50.0	--	55.7
Japan	22.4	3.1	--	--	14.4	34.1	5.0	--	--	--	79.0	85.0	--	111.3
Korea	--	--	--	--	--	9.4	4.6	--	--	--	14.0	15.0	--	15.0
Pakistan	--	--	--	--	--	21.5	3.0	2.0	1.0	--	27.5	29.4	--	31.6
Peru	6.4	--	--	--	--	--	--	0.2	3.0	--	9.6	10.7	--	15.7
Spain	--	4.1	--	--	--	8.5	2.3	--	15.0	--	29.9	31.6	--	36.0
Thailand	--	--	--	--	--	--	1.9	--	--	--	1.9	2.0	--	2.0
Turkey	6.5	12.4	--	--	--	--	--	--	4.1	--	23.0	29.0	--	41.2
United Kingdom	--	--	--	--	--	--	15.0	--	--	--	15.0	15.2	--	15.2
Yugoslavia	52.8	--	--	--	--	9.6	--	--	--	--	62.4	71.2	--	121.7
Total	149.75	15.3	0.3	--	14.45	133.5	39.1	8.0	67.0	1.1	458.5	503.7	--	678.7
Percent of Total:														
Market Value	32.7	9.9	0.1	--	3.2	29.1	8.5	1.7	14.6	0.2	100.0	--	--	--

a/ Includes ocean transportation financed by Commodity Credit Corporation.

b/ CCC cost for all signed agreements for which purchase authorizations have been issued and computed by CCC.

c/ Otherwise CCC cost estimated by Foreign Agricultural Service.

d/ may be used for feed grains and/or wheat.

e/ As of December 31, 1955, purchase authorizations had been issued for 428 million.

Table II. - Approximate Quantities of Commodities Sold under Title I, Public Law 480, as of December 31, 1955

Country	Wheat	Feed grains a/	Dry edi-ble beans:	Rice	Cotton	Tobacco	Dairy b/ products:	Edible oils c/	Poultry
	1,000 bu.	1,000 bu.	1,000 cwt.	1,000 cwt.	1,000 bales	1,000 lbs.	1,000 lbs.	1,000 lbs.	1,000 lbs.
Argentina	---	---	---	---	---	---	---	220,000	---
Austria	---	2,848	---	---	2.5	900	---	---	---
Brazil	19,107	2,205	---	---	---	100	---	11,000	---
Chile	1,202	---	---	---	---	---	---	17,328	---
Colombia	2,657	---	---	---	40.6	---	---	15,829	---
Ecuador	560	---	---	---	5.0	323	3,307	13,629	---
Egypt	2,847	---	---	---	---	---	---	---	---
France	---	---	---	---	---	867	---	---	---
Finland	---	---	---	---	15.7	3,690	---	---	---
Germany	---	---	---	---	---	---	---	---	2,800
Greece	3,017	2,372	---	---	---	---	41,958	12,980	---
Israel	6,426	5,795	22	7	14.6	500	8,393	18,140	---
Italy	---	d/ 6,261	---	---	183.0	4,000	---	---	---
Japan	13,523	2,766	---	2,111	175.0	6,254	---	---	---
Korea	---	---	---	---	47.0	10,000	---	---	---
Pakistan	---	---	---	---	112.2	3,316	---	---	---
Peru	3,570	---	---	---	---	---	4,000	8,274	---
Spain	---	2,778	---	---	46.2	4,650	560	22,000	---
Thailand	---	---	---	---	---	2,700	---	95,238	---
Turkey	3,674	10,335	---	---	---	---	---	---	---
United Kingdom	---	---	---	---	---	21,489	---	27,179	---
Yugoslavia	30,313	---	---	---	---	---	---	---	---
Total	86,896	35,360	22	2,118	696.8	58,789	58,218	461,597	2,800

a/ Includes 13,788,000 bu. corn; 10,166,000 bu. barley; 4,791,000 bu. oats; 2,277,000 bu. grain sorghums. The remaining 4,338,000 bu. are programmed for feed grains and/or wheat, but computed on basis of corn.

b/ 30,688,000 lbs. butter, 4,000,000 lbs. ghee, 7,104,000 lbs. non-fat dry milk, 5,056,000 lbs. cheese, 9,150,000 lbs. evaporated milk, and 2,220,000 lbs. whey.

c/ 120,692,000 lbs. cottonseed oil; 8,274,000 lbs. linseed oil; and the remainder cottonseed oil, soybean oil, or lard at the option of the importing country.

d/ May be used for feed grains and/or wheat, but computed on the basis of corn.

Table III

Planned Uses of Foreign Currency Under Public Law 480 Agreements Signed as of December 31, 1955 a/

Country	Total	Market : Purchase :		Military		Purchase : Grants for :		Payment		Loans for :	
		develop- of :		strategic:procurement:		of goods :multi.trade:		of U. S. b/ & economic		:multi.trade: Int. ed.	
		: b/ :		: material :		: countries: development: obligations:		: development: b/ :		: economic exchange :	
		(104 a)	(104 b)	(104 c)	(104 d)	(104 e)	(104 f)	(104 g)	(104 h)		
Million dollars											
Argentina	5.8	0.2	---	---	---	---	3.0	2.3	0.3		
Austria	6.1	0.2	0.8	---	---	---	3.4	1.5	0.2		
Chile	5.0	0.2	---	---	---	---	0.5	4.0	0.3		
Colombia	5.3	0.2	---	---	---	---	1.9	3.0	0.2		
Finland	5.3	0.2	---	---	---	---	4.8	---	0.3		
Greece	14.3	0.2	---	---	---	7.5	2.4	4.2	---		
Israel	13.0	0.3	---	---	3.1	---	1.8	7.4	0.4		
Italy	50.0	1.7	1.0	---	4.6	---	12.7	30.0	---		
Japan	85.0	2.0	---	---	5.5	---	17.3	59.5	0.7		
Korea	15.0	0.5	---	6.0	---	---	8.5	---	---		
Pakistan	29.4	2.0	---	14.5	---	---	2.9	10.0	---		
Peru	7.5	0.2	---	---	---	---	1.8	5.5	---		
Spain	21.0	1.0	1.0	---	---	---	8.0	10.5	0.5		
Thailand	2.0	0.2	---	---	---	---	1.0	0.8	---		
Turkey	29.0	0.7	---	---	---	---	13.8	14.5	---		
United Kingdom	15.2	---	---	c/ 15.2	---	---	---	---	---		
Yugoslavia	52.0	---	---	37.8	---	---	14.2	---	---		
Total, June 30, 1955:	360.9	9.8	2.8	73.5	13.2	7.5	98.0	153.2	2.9		
Additional Agreements											
Signed 7/1-12/31/55:	142.7	4.5	1.0	19.9	2.1	---	30.7	82.4	2.1		
Total	503.6	14.3	3.8	93.4	15.3	7.5	128.7	235.6	5.0		
Uses as Percent of											
Total	100.	2.8	.8	18.5	3.0	1.5	25.6	46.8	1.0		

a/ Amounts shown on this table are subject to adjustment when actual purchases have been completed.

b/ Some agreements lump authorized currency uses especially under Sections 104(a), (f), and (h). Where estimates of distribution among the authorized uses are available, the estimate is shown under the specific section. Otherwise 104(f) may include sums which may be distributed over a number of U. S. uses. The amount shown for Yugoslavia covers unspecified U. S. uses.

c/ In return for this currency use the U. K. air ministry will construct and make available to U. S. armed forces an equivalent value of dependent housing in the U. K.



Public Law 480 Amended: Public Law 387 approved August 12, 1955, amended Title I of Public Law 480 by increasing the limitation on sales for foreign currencies from \$700 million to \$1.5 billion. It also provides that the limitation shall not be apportioned by year or by country. The new legislation authorizes the Secretary of Agriculture to determine the nations with whom agreements shall be negotiated and to determine the commodities and quantities which may be included in such negotiations and agreements.

- II. Operations Under Title II of Public Law 480: The Department cooperates with the International Cooperation Administration in the review and clearance of all proposals for use of commodities pursuant to Title II of Public Law 480. Under this title the President is authorized to furnish, out of CCC stocks and on a grant basis, surplus agricultural commodities to friendly governments or peoples to assist in meeting famine, or other urgent relief requirements or to assist programs undertaken with friendly governments or through voluntary relief agencies. Since enactment, Title II programs authorized at the end of December 1955 approximated \$141 million.

Through December 31, 1955, shipments authorized also approximated \$141 million, including \$97 million in grain, \$18 million in fats and oils, \$7 million in raw cotton, \$15 million in milk and milk products, and over \$3 million in dry beans. The programs include assistance to 19 countries, as well as a Christmas Holiday program in 45 countries. The \$141.2 million of shipments made or under way is composed as follows:

<u>CCC Cost and Investment</u> (Millions)	
Costa Rica	\$0.2
Yugoslavia	44.5
Bolivia	15.2
Cambodia	2.5
Christmas Food Packages (45 countries)	16.7
Pakistan	16.3
Libya	5.0
Haiti	3.3
Nepal	0.3
Italy	18.6
Vietnam	0.8
Guatemala	3.5
Honduras	0.2
India	3.6
British Honduras	0.3
Danube Flood	10.2
Austria	1.9
Czechoslovakia	1.7
Germany (Fed. Rep.)	1.0
Germany (Sov. Occ.)	0.7
Hungary	2.7
Yugoslavia	2.2
<u>\$141.2</u>	

III. Sale of U. S. Agricultural Products Under Section 402 of Mutual Security Act: Section 402 of the Mutual Security Act of 1954 provided that not less than \$350,000,000 of funds authorized to be appropriated under this Act shall be used to finance the export and sale for foreign currencies of surplus agricultural commodities or products thereof produced in the United States. This Section superseded Section 550 in the 1953 Mutual Security Act. In close cooperation with the Foreign Operations Administration, several transactions were initiated or promoted by the Department in the sale of surplus agricultural commodities under Section 402. Through June 30, 1955, Foreign Operations Administration had approved procurement authorizations under this Section totaling approximately \$468 million worth of agricultural commodities as follows:

<u>Commodity</u>	<u>Export Market Value Authorized*</u> (millions)
Bread grains	\$112.0
Coarse grains	31.2
Rice	3.6
Cotton	250.3
Fats and oils	24.0
Dairy products	12.6
Meat	1.7
Fruit	14.9
Ocean transportation	17.2
	<u>\$467.5</u>

*Includes \$27.2 million of deobligated funds from prior years appropriation.

A minimum of \$300 million is required to be utilized for this purpose during fiscal year 1956. Through November 30, 1955, the International Cooperation Administration had approved procurement authorizations under this section totaling approximately \$40 million worth of agricultural commodities as follows:

<u>Commodity</u>	<u>Export market value Authorized</u> (millions)
Bread grains	\$20.4
Cotton	7.3
Milk, evaporated and condensed	1.5
Sugar	2.8
Tallow, and other edible fats and oils	.7
Eggs	1.5
Fruits	.5
Meats	5.0
	<u>\$39.7</u>

IV. Foreign Market Development Work Financed by Foreign Currencies:

Legislative Authority

Title I of the Agricultural Trade Development and Assistance Act, Public Law 480, authorizes the President to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from sales for various purposes.

Section 104(a) of the Act provides that foreign currencies accruing from the sale of surplus agricultural commodities may be used "to help develop new markets for United States agricultural commodities on a mutually benefiting basis." Responsibility for carrying out projects under this Section of the Act rests with the Foreign Agricultural Service.

Objective

The objective of the projects which will be conducted with foreign currencies is the promotion of new foreign markets and the expansion of present foreign markets for United States agricultural commodities. To the extent practicable, the Foreign Agricultural Service will enter into agreements with trade groups, both U. S. and foreign, for the operation of these projects. However, this will be done only if the trade group will make a financial contribution. If the trade group is unable or unwilling to operate the project, it may be operated directly by the Foreign Agricultural Service.

Techniques to be Used in Operating the Projects

Following are some of the techniques which will be used in carrying out the program:

Promoting Better Nutrition: Demonstrate to consumers in foreign countries what foods can be used for better nutrition, thereby increasing the demand for agricultural commodities which might be supplied from the United States.

Encouraging Visits of Foreign Buyers and Specialists: Encourage foreign buyers and specialists to visit the United States so that they may become more familiar with the advantages of our products and our marketing and grading practices. Also, encourage visits to foreign markets by the U. S. Trade.

Participating in Trade Fairs: Increased agricultural participation in International Trade Fairs is contemplated. The Service has already participated in the Bogota, Columbia, Fair with successful results and is considering participation in other Fairs at Osaka, Japan, and Milan, Italy.

Explaining Systems and Methods: This includes explaining marketing and grading systems, and assisting in developing better handling methods for U. S. agricultural commodities.

Making Market Studies: This includes quantitative studies of the market for a commodity, studies of competitive commodities and suppliers, and studies on consumer preferences.

Setting up Trade Centers: Consideration is being given to the possibility of establishing agricultural trade centers in some of the key markets where samples of U. S. products would be on display and demonstrations of their use would be given.

Foreign Currencies Available

As of December 31, 1955, agreements were signed with 22 countries providing \$14,300,000 worth of foreign currencies for market development under Section 104(a) of the Act.

The following table sets forth by country the Agreements signed as of December 31, 1955, the amounts of foreign currencies available for market development work and the estimated amounts to be used in fiscal years 1956 and 1957.

<u>Countries</u>	<u>Amount Available for Market Development</u>	<u>Estimated Amount to be Used 1956</u> (Dollar equivalents)	<u>Estimated Amount to be Used 1957</u>
Argentina	\$200,000	\$50,000	\$150,000
Austria	200,000	50,000	150,000
Chile	200,000	50,000	150,000
Colombia	200,000	125,000	75,000
Finland	200,000	50,000	150,000
Greece	200,000	50,000	150,000
Israel	300,000	50,000	200,000
Italy	1,700,000	400,000	800,000
Japan	2,000,000	500,000	1,000,000
Korea	500,000	50,000	250,000
Pakistan	2,000,000	200,000	1,100,000
Peru	200,000	50,000	150,000
Spain	1,000,000	100,000	600,000
Thailand	200,000	50,000	150,000
Turkey	700,000	50,000	300,000
Total, June 30, 1955	9,800,000	1,825,000	5,375,000
Additional Agreements signed 7/1- 12/31/55	4,500,000	840,000	2,470,000
Total	14,300,000	2,665,000	7,845,000

Of the total, \$14,300,000, it is estimated that \$3,790,000 will be used subsequent to 1957.

Projects Initiated in 1956

Trade Fair - Bogota, Colombia: This Fair was the first major international event of its kind in Latin America to include U. S. Government sponsored agricultural exhibits, and to be financed by foreign currencies. The Fair opened November 25 and closed December 11. Total attendance approached one million people. U. S. agricultural presentations featured samples of recombined milk, ice cream, bread, and cakes, which were free to the public. More than 40 thousand ice cream cones, 115 thousand sample loaves of bread, and 450 cakes were distributed. The milk and ice cream were made from U. S. supplies of nonfat dry milk solids and butter oil in commercial-size dairy equipment which also was on display in the U. S. exhibit. The bread, made from U. S. wheat flour, was baked into half-pound loaves by Bogota bakers. Another U. S. display was in the form of a cotton style show featuring the use of cotton in Colombian textiles. Three U. S. trade groups cooperated in providing materials and personnel for the displays, as follows: The Dairy Industries Society, International; National Cotton Council; and the Millers National Federation, in cooperation with Pillsbury Mills, Inc. The Commodity Credit Corporation furnished dairy products for distribution at the Fair and also wheat for the bread which was baked by Bogota bakers and distributed at the Fair.

The excess dairy products not used at the fair were sold to commercial firms and the proceeds made available to the Commodity Credit Corporation. Also, the milk recombining equipment was sold to commercial firms, which indicates a further market for U. S. dried skim milk and butter fat for recombining into milk for commercial sales.

Promoting the Use of American Cotton in France, Italy and Japan: These projects are designed to develop new and expanded uses of American cotton in France, Italy, and Japan. The projects provide for setting up a National Cotton Council headquarters in Europe and in Japan. The Council, in cooperation with the industry in the three countries, will employ and train a local staff which will devote full time to market studies and a variety of sales promotion campaigns aimed at increasing the use of American cotton. There are many uses for cotton that have been developed in the United States that are of limited application in Italy, France and Japan in the industrial, household and apparel fields. With effective studies and promotion, U. S. cotton should be in a better position to compete for the consumer's dollar and take advantage of increasing consumer income in these countries.

Employment of Local Assistants in Japan: Steps have been taken to employ local assistants who will help the agricultural attache in the development of new markets for the sale of American agricultural commodities under Public Law 480. Since much of the work in the country can be done advantageously by local employees, the attache can supervise the operations and still devote most of his time to his other duties. The workload in Japan under Public Law 480 is such as to make it impossible for the agricultural attache and his assistant to carry the burden without local help.

Promoting the Sale of American Tobacco in Thailand: The purpose of this project is to increase U. S. tobacco exports to Thailand by acquainting the officials of the Thailand Tobacco Monopoly with modern and efficient methods of storage, manufacturing, marketing and distribution. The project provides for representatives of the Monopoly to come to the United States so that they can visit flue-cured and burley tobacco markets to study the grades and quality of United States tobaccos and help build up good relations with the U. S. tobacco trade. It is believed that this project will help expand the output and consumption of tobacco products in Thailand and result in additional sales of U. S. tobacco.

Plans for 1956 and 1957

There are many types of projects now in the planning stage that will be implemented with Section 104(a) funds. These include, but are not limited to projects for:

Cotton: These projects contemplate assembling and training local program staffs to carry out market research studies and to develop and implement a variety of sales promotion campaigns. The projects will be developed and supervised by the National Cotton Council. Projects of this nature will be undertaken in Argentina, Austria, Chile, Colombia, Ecuador, Finland, Korea, Pakistan, Peru, Spain, Thailand, and Turkey.

Dairy Products: The projects include the development and implementation of vigorous promotional campaigns to increase consumption of dairy products, using U. S. products such as dry skim milk and butter fat. It is intended to undertake such projects in Chile, Colombia, Greece, Israel, Italy, Japan, Pakistan, Peru, Spain, Thailand and Turkey.

Fats and Oils: These projects involve the determination of the characteristics of the foreign markets for cottonseed oil, soybean oil and other U. S. vegetable oil, and the undertaking of educational and promotional campaigns to help develop new permanent markets. Projects are contemplated for Argentina, Austria, Chile, Colombia, Ecuador, Greece, Israel, Italy, Japan, Peru and Spain.

Grain and Feed: These projects include market research and nutritional demonstrations, display, education, promotion, and advertising of the value of U. S. grain and grain products. Projects are contemplated for Austria, Chile, Colombia, Ecuador, Finland, Greece, Israel, Italy, Japan, Korea, Pakistan, Peru, Spain and Thailand.

Livestock and Meat: Studies will be made as a basis for developing and putting into effect promotion and advertising programs to develop markets for U. S. livestock and livestock products (other than dairy and poultry). Projects will be undertaken in Argentina, Austria, Colombia and Peru.

Tobacco: The projects for tobacco involve studies of the factors affecting demands for United States tobacco. Technical help will be provided for the blending and processing of American tobacco as well as assistance to importing countries in learning efficient operation in handling, storing, processing and manufacturing United States tobacco. Projects are presently planned for Austria, Chile, Ecuador, Finland, Israel, Italy, Japan, Korea, Pakistan, Peru and Spain.

Poultry: The value of poultry products in the national diet will be emphasized, and promotional methods will be used to increase the demand for poultry products. Poultry projects are presently planned for Chile, Colombia, Greece, Japan, Peru, Spain and Thailand.



STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955, were actually received or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases).

Item	Obligations, 1955	Estimated obligations, 1956	Estimated obligations, 1957
Allotment from:			
Removal of Surplus Agricultural			
Commodities:			
For development of foreign			
market outlets for surplus:			
American agricultural			
commodities	\$1,007,079:	\$1,270,248:	\$1,482,248
For the administration of			
Import Controls under Sec-			
tion 22 of the Agricultur-			
al Adjustment Act, as			
amended	187,633:	210,485:	210,485
Total, Allotment	1,194,712:	1,480,733:	1,692,733
Foreign currencies allocated for			
foreign market development work			
(See item "Activities under			
Public Law 480" in these Explan-			
atory Notes)	- -	2,665,000:	7,845,000
Allocations and Working Funds			
(Advances from other agencies):			
Department of State:			
For conducting an education-			
al program for specialist			
from:			
Argentina:			
Forage crop seed			
production and			
distribution	1,865:	- -	- -
Methods of reforesta-			
tion	1,943:	- -	- -
Brazil:			
Agricultural Credit .	1,400:	- -	- -
British Honduras:			
County extension work			
and vocational agri-			
cultural education	2,090:	- -	- -
For conducting a training			
program in agriculture for:			
Finnish Nationals	3,476:	- -	- -
Total, Department of			
State	10,774:	- -	- -

(Continued on next page)

Item	Obligations, 1955	Estimated obligations, 1956	Estimated obligations, 1957
<u>International Cooperation</u>			
<u>Administration:</u>			
For technical assistance to friendly nations	\$130,275:	\$126,900:	- -
For expenses incident to the Foreign Trainee Program . .	1,300,766:	2,222,300:	- -
For preparing statistical information on agricultur- al conditions and food balances in Europe and the Far East	14,912:	- -	- -
Total, International Cooperation Adminis- tration	1,445,953:	2,349,200:	- -
<u>Total, Allocations and Working Funds</u>	<u>1,456,727:</u>	<u>2,349,200:</u>	<u>- -</u>
<u>Obligations Under Reimbursements From Governmental and Other Sources</u>			
Salaries and expenses	84,494:	94,223:	\$94,223
<u>TOTAL, OBLIGATIONS UNDER ALLOT- MENTS AND OTHER FUNDS</u>	<u>2,735,933:</u>	<u>6,589,156:</u>	<u>9,631,956</u>

a/ Excludes \$1,163,356 received from International Cooperation Administration representing net adjustments in authorizations from 1955 appropriations.

COMMODITY EXCHANGE AUTHORITY

Purpose Statement

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the Act are: To prevent commodity price manipulation and corners; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and manipulative practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; insure trust-fund treatment of margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by brokers; and provide information to the public regarding trading operations and contract markets.

The basic Act was designated as the Grain Futures Act and conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act", and its regulatory provisions strengthened and extended to cotton, millfeeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the Act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the Act of October 9, 1940; wool was added by enactment of Public Law 690 of August 28, 1954; and onions were added by enactment of Public Law 174 of July 26, 1955.

These functions carried out under the Act are performed through a central organization in Washington and five field offices, located in the commodity markets at Chicago, Kansas City, Minneapolis, New Orleans, and New York. On November 30, 1955, the Commodity Exchange Authority had 125 employees, 38 of whom were stationed in Washington, D. C. and 87 in the field offices.

	Estimated Available, 1956	Budget Estimate, 1957
Appropriated funds	\$780,000	\$787,400



Salaries and Expenses

Appropriation Act, 1956	\$698,000
Supplemental appropriation for 1956 (Supplemental Appropriation Act, 1956)	+33,000
Proposed supplemental, 1956, for increased pay act costs	+49,000
Base for 1957	780,000
Budget Estimate, 1957	787,400
Increase (for placing on full year basis regulation of futures trading in onions)	+7,400

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase or Decrease	1957 (estimated)
1. Licensing	\$48,378	\$49,500	- -	\$49,500
2. Supervision of futures trading	387,790	424,500	- -	424,500
3. Audits	147,241	167,000	+\$2,400	169,400
4. Investigations	117,131	139,000	+5,000	144,000
Unobligated balance	1,255	- -	- -	- -
Total pay act costs (P.L. 94) :	[13,610]	[49,000]	[+786]	[+49,786]
Total available or estimate	701,795	780,000	+7,400(1)	787,400
Transferred from "Agricultural Adjustment Programs, Commodity Stabilization Service" ...	-8,795	- -		
Proposed supplemental due to pay increases	- -	49,000		
Total appropriation or estimate	693,000	731,000		

INCREASES

(1) An increase of \$7,400 for regulation of futures trading in onions.

Need for Increase: The Supplemental Appropriation Act, 1956 provided \$33,000 for regulation of futures trading in onions upon enactment of Public Law 174, Eighty-fourth Congress, approved July 26, 1955. The program became effective September 24, 1955. The \$33,000 was for preliminary work involved in formulating procedures necessary to place regulation on a firm basis on the date the amendment became effective and to cover the regulation of the onion futures markets from that date. This provided for approximately 10 months of the fiscal year 1956. The additional funds are required to place the enforcement program upon a full year basis in 1957.

Plan of Work: Enforcement of the Commodity Exchange Act with respect to onions would be carried out for the full year. The continuing enforcement program requires annual registration of futures commission merchants and floor brokers; the examination of exchange rules and regulations to insure compliance with the law; study and analysis of reports and other market data, and publication of summary information; audit and examination of books and analyses of financial statements of futures commission merchants; investigations of apparent and alleged violations of the law; and preparation and presentation of evidence of violations in administrative hearings and judicial proceedings. The history of erratic price movements and extreme speculative activity in onion futures and allegations of improper practices point to the need for continuing an intensive program of comprehensive market position surveys and trade practice surveys.

STATUS OF PROGRAM

Objective and Functions: Enforcement of the Commodity Exchange Act requires supervision over 17 commodity exchanges designated as "contract markets." Enforcement is a continuous process involving the following functions:

1. Market designation and broker registration: (a) Designation of commodity exchanges as contract markets; (b) annual registration of futures commission merchants and floor brokers; and (c) continuing review of exchange rules and regulations.
2. Supervision of futures trading: (a) Compilation, audit, tabulation and review of trade reports and current market analyses; (b) establishment, enforcement and review of speculative limits; (c) review of market news and letters; (d) maintenance of a quotation and ticker service; (e) analysis of cash commodity transactions; (f) cooperative activities with control committees of contract markets; (g) observance of floor trading; and (h) compilation and publication of market information.
3. Prevention of misuse of customers' funds: (a) Audit and examination of records of futures commission merchants and (b) analysis of brokers' financial statements.
4. Investigation and control of trade practices: (a) Investigation of compliants and alleged and apparent violations; (b) trade practice audits and surveys; (c) investigation of delivery practices; and (d) preparation and presentation of evidence of violations in administrative hearings and judicial proceedings.

Recent developments: During the fiscal year 1955 the Commodity Exchange Authority's enforcement program covered futures trading in 20 commodities.

Wool was added to the commodities covered by the Commodity Exchange Act by Sec. 710(a) of Public Law 690, 83d Congress, which was approved August 28, 1954, and became effective October 27, 1954. The Wool Associates of the New York Cotton Exchange, Inc. was designated as a contract market for wool, effective October 14, 1954. The regulations of the Secretary of Agriculture were amended after opportunity for submission of trade views to include wool, and the enforcement program, including reporting requirements and segregated audits of futures commission merchants was made effective on October 27, 1954. A comprehensive survey of the wool futures market as of October 29, 1954, gave basic data on the wool market as a bench-mark at the beginning of regulation.

By amendment of the Commodity Exchange Act by Public Law 82, 84th Congress, approved June 16, 1955, the provisions of the Interstate Commerce Act relating to the attendance and testimony of witnesses, the production of documentary evidence, and the immunity of witnesses were made applicable to investigations under the Commodity Exchange Act. The first use of the subpoena power was made in August 1955.

During the first quarter of the 1956 fiscal year there were two amendments to the act. One amendment approved July 26, 1955 added onions to the commodities covered, and the other amendment approved August 5, 1955 authorized an increase in the annual registration fees for futures commission merchants and floor brokers. Preparation for the amendment of regulations to include onions and for a comprehensive market survey of the onion futures market, and for increased registration fees were under way as of August 1955.

Selected Examples of Recent Progress

Market Regulations Reviewed; Floor Brokers Registered at All Time High: During the fiscal year 1955 the Commodity Exchange Authority supervised futures trading on the commodity exchanges designated as contract markets under the Commodity Exchange Act. The 17 commodity exchanges, currently designated as contract markets, and the 20 commodities in which futures trading was conducted are listed below:

<u>Market</u>	<u>Regulated commodity</u>
Chicago Board of Trade	Wheat, corn, oats, rye, soybeans, lard, cotton, cottonseed oil, soybean oil, grain sorghums, soybean meal.
Chicago Mercantile Exchange*	Butter, eggs, potatoes.
Chicago Open Board of Trade	Wheat, corn, oats, rye, soybeans.
Duluth Board of Trade	(No trading in 1954-55)
Kansas City Board of Trade	Wheat, corn, bran, shorts, grain sorghums.
Memphis Board of Trade	
Clearing Association	Cottonseed meal, soybean meal, soybeans.
Milwaukee Grain Exchange	Wheat, corn, oats, rye.
Minneapolis Grain Exchange	Wheat, oats, rye, flaxseed.
New Orleans Cotton Exchange	Cotton.
New York Cotton Exchange	Cotton.
New York Mercantile Exchange	Potatoes.
New York Produce Exchange	Cottonseed oil, soybean oil.
Portland Grain Exchange	(No trading in 1954-55)
St. Louis Merchants' Exchange	(No trading in 1954-55)
San Francisco Grain Exchange	(No trading in 1954-55)
Seattle Grain Exchange	Wheat.
Wool Associates of the New York	
Cotton Exchange	Wool, wool tops.

There were 620 futures commission merchants registered, compared with 623 during the previous year. The number of floor brokers registered was 883, which was greater than in any previous year. As of June 30, 1955, the registered futures commission merchants maintained a total of 1886 principal and branch offices, and had agents in 291 offices other than their own engaged in soliciting or accepting orders for the purchase or sale of commodities for future delivery. Of the 569 active futures commission merchants registered as of June 30, 1955, there were 308 partnerships, 166 corporations, 94 sole proprietorships, and 1 trust association.

Bylaws, rules, regulations, and resolutions submitted to the Authority by contract markets pursuant to requirements, were reviewed currently and changes proposed whenever necessary to effect compliance with the law.

Registration fees collected from futures commission merchants and floor brokers, which are deposited in the Treasury as miscellaneous receipts, totaled \$18,378, as compared with \$18,062 for the previous year.

Futures Trading Data

Futures transactions relatively stable. - Trading activity in all commodities combined as measured by number of transactions (purchases and sales in terms of contract units) was substantially unchanged from the previous year. In 1955, total transactions were estimated at 8,385,000, a decrease of slightly less than 1 percent (0.9 percent) from 8,460,000 in 1954, and 14.5 percent above the 10-year (1945-54) average of 7,323,000.

Estimated value of trading showed decline. - The value of futures trading in regulated agricultural commodities was estimated at \$38,837,200,000, a decrease of 7.8 percent from the 1954 total of \$42,136,100,000.

Volume of trading reflected record-breaking activity in eggs, potatoes, and soybean meal. - Figures on trading volume given below show increases over last year in cotton, wool, and wool tops, and record-breaking activity in eggs, potatoes, and soybean meal, but decreases in the grains, and fats and oils.

The futures volume in all grains, including soybeans, was 12,717,019,000 bushels, a decrease of 10.6 percent from the preceding fiscal year. Activity in soybeans, which continued to hold the major speculative interest in grain futures, amounted to 4,952,249,000 bushels, a decrease of only 3.8 percent from the alltime record of 1954. Trading in wheat was slightly under 4 billion bushels, or 16.7 percent below 1954, but was above the average for the preceding 10-year period.

Cotton futures volume amounted to 50,395,000 bales in 1955, an increase of 12.3 percent over 1954.

In potatoes, eggs, and soybean meal, futures trading was at a record high in 1955. Trading in these commodities showed an increase over 1954 of 192 percent in potatoes, 73.3 percent in eggs, and 41.6 percent in soybean meal.

Trading in wool, which came under the act in the 1955 fiscal year, showed an increase of 5.2 percent over 1954, and wool tops showed an increase of 15.6 percent over 1954.

Volume of futures trading on all contract markets combined, by commodities,
fiscal years ended June 30, 1954 and June 30, 1955

Commodity	Unit	1954	1955	Percent of increase or decrease
Wheat	1,000 bushels	4,763,276	3,969,072	- 16.7
Corn	do.	2,343,979	2,213,472	- 5.6
Oats	do.	1,232,496	757,619	- 38.5
Rye	do.	724,630	815,407	+ 12.5
Soybeans	do.	5,147,957	4,952,249	- 3.8
Flaxseed	do.	14,637	7,361	- 49.7
Grain sorghums	Million pounds	58	103	+ 77.6
Cotton	1,000 bales	44,886	50,395	+ 12.3
Wool	1,000 pounds	93,732	98,652	+ 5.2
Wool tops	do.	103,540	119,655	+ 15.6
Butter	Carlots	115	94	- 18.3
Eggs	do.	149,163	258,507	+ 73.3
Potatoes	do.	67,525	197,186	+ 192.0
Cottonseed oil	1,000 pounds	871,680	825,180	- 5.3
Soybean oil	do.	4,711,260	4,318,500	- 8.3
Lard	do.	2,861,920	2,027,320	- 29.2
Bran	Tons	142,320	102,600	- 27.9
Shorts	do.	88,680	97,560	+ 10.0
Cottonseed meal	do.	216,300	217,400	+ .5
Soybean meal	do.	4,054,000	5,741,300	+ 41.6

Increased number of reports received. - A total of 555,776 reports on volume of futures trading and open contracts was received, tabulated, summarized, and analyzed, an increase of 3.8 percent from the 535,407 reports made in 1954. Of these, 257,211 were daily reports from brokers on volume of trading and open contracts, while 298,565 related to the daily transactions and open positions of large traders and their weekly positions in cash commodities.

Delivery notices declined. - During 1955 a total of 27,735 copies of delivery notices were submitted by exchange clearing members, compared with 29,170 in the 1954 year.

Publications prepared. - Publications during the year included the agency's statistical annual, *Commodity Futures Statistics*, issued as U.S.D.A. Statistical Bulletin No. 160, for the year ended June 30, 1954; *Wool and Wool Top Futures*, a Survey of Open Contracts on the Wool Associates of the New York Cotton Exchange; and a report on futures trading and regulation in the period since World War II, which is entitled, "Futures Trading Under the Commodity Exchange Act, 1946-1954."

The field offices continued to compile and publish the daily reports on volume of trading and open contracts in regulated commodities on the principal markets, the weekly report on "on call" sales of cotton, and the monthly statistical reports, *Trade in Grain Futures* and *Trade in Cotton Futures*.

17 Violations of Speculative Limits Disclosed through Enforcement Activities.

The purpose of limits on speculative trading and positions established by the Commodity Exchange Commission and enforced by the Commodity Exchange Authority is to diminish, eliminate, or prevent excessive speculation causing sudden, unreasonable, or unwarranted price changes. During the year the CEA effectively enforced speculative limits on all commodities for which such limits have been established, by keeping close watch on the transactions of large speculators, and particularly those operating near the limits. This was done by carefully checking the required daily reports from commodity brokers and large traders, and by other surveillance and compliance procedures. Of the limits dealt with, there were 17 violations as compared with 28 in the preceding year. The CEA took administrative action to obtain compliance in connection with these violations, and in two instances instituted formal proceedings looking toward the imposition of sanctions.

Surveys of Market Positions completed on Wool and Potatoes.

A survey of the positions of all traders in wool futures as of October 29, 1954, provided basic information on the composition of the market and a point of reference at the beginning of regulation of this commodity. Comparable data on wool tops for the same date were obtained to give information on the interrelated use of wool and wool top futures in the marketing of wool and wool products.

Surveys of the potato futures market were made as of the end of November 1954 and January and February 1955.

Audits of Commission Merchants Accounts Disclose 363 Deviations.

During the year 577 audits of futures commission merchants were made. These audits covered the accounts of 31,281 customers who had to their credit \$123,274,847.39. The average number of accounts per audit was 54.2, an increase of 8.4 over last year. The average amount to the credit of each customer was \$3,940.89, an increase of \$159.54 over last year. In addition to the 577 financial audits performed, 3 special or "position" audits were made involving a determination of correct reporting procedure.

In the course of these 577 financial audits, 363 deviations from the law or regulations were discovered. In most cases corrective measures were taken when the deviations were brought to the attention of the brokerage houses. The remainder are under further investigation. In addition to the 363 separate deviations from the law or regulations, six persons or firms were found to be acting as futures commission merchants without having been registered as required by the act. During the year 617 futures commission merchants' financial statements were analyzed.

Compliance Investigations Data.

Manipulation of soybean and potato markets. - The major activity of the past year has again been the assembly of data for use as evidence in formal administrative actions. Seven complaints were issued during the year, as compared with four in the preceding year, the increase being most pronounced in cases of manipulation which resulted in the issuance of three complaints as compared

with only one in the previous year. One of these was the culmination of a very extensive investigation of manipulation of the soybean market which took virtually the entire attention of an augmented investigational staff for a considerable period of time. The complaint, issued on February 4, 1955, was not answered by the respondents, with the result that no hearing was held and an order was issued on June 20, 1955, denying trading privileges to the respondents indefinitely. From an enforcement standpoint such disposition was very fortunate, for it avoided the time consuming process of preparing exhibits and presenting evidence at a hearing. The nature and extent of the violations were such that a long period of litigation would have been inevitable had the complaint been contested.

The two other manipulation complaints were concerned with transactions in 1955 potato futures. Although not as extensive as the soybean investigation, they nevertheless took the full attention of the New York investigational staff for some time, with assistance at times from both Washington and Chicago personnel. The gyrations of the potato futures prices in the spring of 1955 were the subject of an unprecedented volume of complaints from producers, dealers and traders. Concentrating attention almost exclusively to these investigations enabled issuance of the complaints in an unusually short time, but at the expense of other matters. Both of the potato cases were pending at the end of the year, but one was disposed of shortly thereafter by the consent procedure, with indefinite denial of trading privileges ordered.

The four other complaints brought during the year covered failure to segregate customers' funds, exceeding the speculative limits, failure to report, and filing false reports. Three were concluded by consent orders denying trading privileges, and one went to hearing. Decision and order of the Judicial Officer are pending in this case.

Workload increase may require reevaluation of compliance program. - Investigations begun during the year were fewer than in the previous year, making it possible to reduce somewhat the backlog of pending items. Analysis of material obtained in surveys was deferred because of the necessity of using the staff for the investigations culminating in the complaints discussed above. It is planned to devote more attention to this survey material in the current year. However, the recent addition of onions to the list of regulated commodities is expected to increase the workload appreciably, and thus possibly require a reevaluation of the Compliance program in relation to other activities.

Major activities of the Commodity Exchange Authority

	Actual			Estimated	
	1954	1955	1956	1956	1957
I. <u>Licensing:</u>					
Futures commission merchants registered	623	620	625	625	625
Floor brokers registered	851	883	875	875	875
II. <u>Supervision:</u>					
<u>Markets and commodities:</u>					
Exchanges	17	17	17	17	17
Commodities	19	20	22	22	22
Markets (6 wheat markets, 3 cotton markets, etc.)	41	43	47	47	47
Reports tabulated and analyzed:					
Daily trading volume and open contracts	248,436	257,211	275,000	275,000	275,000
Daily and weekly reports on large traders	286,971	298,565	315,000	315,000	315,000
Delivery notices	29,170	27,735	30,000	30,000	30,000
Special calls and surveys	3	3	4	4	4
Accounts covered	5,393	4,474	5,000	5,000	5,000
General activities, including observance of trading, contact with exchange officials, establishment, review and enforcement of speculative limits, quotations service, price compilations, and review of market letters	x	x	x	x	x
III. <u>Audits:</u>					
<u>Segregation audits</u>					
Accounts examined	726	577	650	650	700
Financial statements examined	33,231	31,281	32,000	32,000	34,000
	628	617	625	625	675
IV. <u>Investigations:</u>					
<u>Compliance investigations completed</u>	46	30	40	40	45
<u>Trade practice surveys completed</u>	2	4	1	1	3
<u>Number of transactions examined</u>	3,370	2,638	2,500	2,500	6,000
<u>Criminal prosecutions</u>	1	0	1	1	0
<u>Administrative proceedings</u>	4	7	6	6	7

x No measure of workload available.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955, were actually received or programmed for 1956 and 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	:	:	Estimated	:	Estimated	
	:	Obligations,	:	obligations,	:	obligations,
	:	1955	:	1956	:	1957
Obligations Under Reimbursements:	:		:		:	
<u>From Governmental and Other</u>	:		:		:	
<u>Sources:</u>	:		:		:	
Salaries and Expenses	:	37	:	- -	:	- -

COMMODITY STABILIZATION SERVICE

Summary of Appropriations, 1956 and Estimates 1957 a/

Appropriation Item	:	Total	:	Budget	:	Increase (+)
	:	Estimated	:		:	or
	:	Available,	:	Estimates,	:	Decrease (-)
	:	1956	:	1957	:	
Agricultural adjustment programs ..	:	\$39,150,000	:	\$41,463,000	:	+\$2,313,000
Sugar Act program	:	59,600,000	:	67,600,000	:	+8,000,000
Total direct annual appropriations:	:		:		:	
or estimates	:	98,750,000	:	109,063,000	:	+10,313,000

a/ Excludes administrative expense authorization for Commodity Credit Corporation.



AGRICULTURAL ADJUSTMENT PROGRAMS

Purpose Statement

This appropriation provides funds to carry out acreage allotment and marketing quota programs authorized by Title III of the Agricultural Adjustment Act of 1938, as amended.

These programs are designed to assist in minimizing fluctuations in the supply, marketing, and price of specified basic agricultural commodities--tobacco, peanuts, cotton, wheat, corn, and rice.

The national acreage allotment (in the case of wheat and corn, allotment for commercial producing area) is set at a level which, based upon normal or average yield, will result in ample production for domestic consumption, exports, and adequate reserves. The total acreage is divided among States or counties on the basis of production history for a specified number of years preceeding the year for which the allotment is determined, with adjustments for production trends, abnormal weather and production conditions, previous allotments, and other factors.

State or county allotments are apportioned among eligible farms. Acreage allotments, unless implemented by marketing quotas, do not constitute an enforced limitation on production. However, when acreage allotments are in effect for any basic commodity, compliance therewith is a condition of eligibility for price support.

Marketing quotas must be proclaimed for tobacco when the total supply exceeds the reserve supply level or if quotas were proclaimed for the kind of tobacco in the immediately preceding year unless quotas have been disapproved in three successive years subsequent to 1952. In this event a national marketing quota would not be proclaimed for any marketing year within the three-year period for which quotas were disapproved, unless prior to November 10 of the marketing year, one-fourth or more of the farmers petition the Secretary to proclaim a national marketing quota for each of the next three succeeding marketing years. Marketing quotas must be proclaimed for peanuts each calendar year regardless of the supply situation; for upland cotton when the total supply exceeds the normal supply, for extra long staple cotton when the total supply exceeds the normal supply by more than 8 percent, and for wheat, and rice when the total supply exceeds the normal supply by a stated percentage. Marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, do not apply to corn.

Quotas do not become effective unless at least two-thirds of eligible farmers voting in a referendum approve quotas. Quotas may be increased or suspended under certain demand and supply conditions, in the interest of consumers, or in national emergencies.

	Estimated Available, <u>1956</u>	Budget Estimate, <u>1957</u>
Appropriated funds	\$39,150,000	\$41,463,000



(a) Agricultural Adjustment Programs

Appropriation Act, 1956	\$39,000,000
Proposed supplemental, 1956, for pay act costs	150,000
Base for 1957	<u>39,150,000</u>
Budget Estimate, 1957	<u>41,463,000</u>
Increase	<u>+2,313,000</u>

SUMMARY OF INCREASES, 1957

To provide for adequate administration, supervision, and audit of acreage allotment and marketing quota programs by State offices	+174,700
To provide increased workload in connection with defense mobilization activities	+53,300
To initiate a three year program to increase salaries of county employees to level comparable to those of other agencies or private employers in same area	+2,085,000

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase	1957 (estimated)
Acreage allotments and marketing quotas ...	\$39,921,099	\$39,150,000	+2,313,000(1)	41,463,000
Unobligated balance	255,119	--	--	--
Total pay costs (P.L. 94)	[102,481]	[356,070]	[+13,000]	[369,070]
Total available or estimate	40,176,218	39,150,000	+2,313,000	41,463,000
Transferred to:				
"Salaries and expenses, Forest Service	108,991	--		
"State and private forestry cooperation, Forest Service"	12,986	--		
"Conservation operations, Soil Conservation Service"	650,000	--		
"Salaries and expenses, Commodity Exchange Authority"	8,795	--		
"Salaries and expenses, Rural Electrification Administration"	98,490	--		
"Salaries and expenses, Farmers' Home Administration"	170,000	--		
"Salaries and expenses, Office of the Secretary"	14,520	--		

(Continued on next page)

Project	1955	1956 (estimated)	Increase	1957 (estimated)
"Salaries and expenses				
Library, Agriculture"	10,000	--		
Proposed supplemental				
due to pay increases	--	-150,000		
Total appropriation :				
or estimate	41,250,000	39,000,000		

INCREASES

The 1957 estimate is based on the assumption that acreage allotments and marketing quotas will be in effect on the 1956 and 1957 crops of tobacco, peanuts, wheat, cotton, and rice and that acreage allotments will be in effect on corn. Work in 1957 will consist of the following:

Tobacco: Completing measurement of the 1956 crop, measuring approximately 45 percent of the 1957 acreage, collecting and compiling basic data, establishing acreage allotments, holding a referendum on cigar filler and binder tobacco to determine whether farmers favor quotas for three years beginning with the 1957 marketing year, and administering quotas on the 1955 and 1956 crops.

Peanuts: Completing measurement of the 1956 crop, measuring approximately 65 percent of the 1957 acreage, collecting and compiling basic data, establishing acreage allotments, holding a referendum to determine whether farmers favor quotas for three years beginning with the 1957 marketing year, and administering quotas on the 1956 and 1957 crops.

Wheat: Completing measurement of the 1956 crop, measuring approximately 95 percent of the 1957 acreage, collecting and compiling basic data, establishing acreage allotments for the 1958 crop, holding a referendum to determine whether farmers favor quotas, and administering quotas on the 1956 and 1957 crops.

Cotton: Completing measurement of the 1956 crop, measuring approximately 75 percent of the 1957 crop, collecting and compiling basic data, holding referendums to determine whether farmers favor quotas on the 1957 crops of Upland and extra long staple cotton, and administering quotas on the 1956 and 1957 crops.

Corn: Completing measurement of the 1956 crop, measuring approximately 45 percent of the 1957 crop, collecting and compiling basic data, and establishing allotments.

Rice: Completing measurement of the 1956 crop, measuring approximately 50 percent of the 1957 crop, collecting and compiling basic data, establishing allotments, holding a referendum to determine whether farmers favor quotas and administering quotas on the 1956 and 1957 crops.

(1) The increase of \$2,313,000 is composed of the following:

(a) An increase of \$174,700 to provide adequate administration, supervision, and audit of acreage allotment and marketing quota programs. The increase is required to raise State Office administrative and supervisory work to an adequate level. It would permit all State Offices to hire the number of employees required to inform and train county office personnel on the overall operations of the programs and to assist them in devising ways to get the work done in an effective and economical manner.

The need for better training and supervision of county committee employees and audit of their work has been emphasized by a number of investigative and audit agencies. The proposed increase will permit State Offices to complete the contemplated employment program by hiring the additional personnel needed to supervise and review county office operations to insure acceptable work by them.

Compliance with acreage allotments established for a farm is a condition of eligibility for price support. Therefore, accurate work by county committee personnel is especially important and there is need for close and continuous supervision, training, auditing of work and records, and checking acreage determinations.

(b) An increase of \$53,300 in connection with defense mobilization activities.

Defense mobilization responsibilities relating to food and nonfood requirements, allocations, manpower, and mobilization planning have been assigned to Commodity Stabilization Service in Secretary's Memorandum 1346 pursuant to Defense Mobilization Order I-9.

Work to be done with the requested increase will include evaluation of supplies of and requirements for food for various stages of mobilization. The Office of Defense Mobilization is placing increased emphasis on this work as a part of its overall supply requirements analysis for the entire economy.

The evaluation of supplies and requirements for food will be used (1) to determine possible deficiencies or maladjustments which will form a basis for necessary food production programming, and (2) as a basis for advanced planning of quantitative food allocations which, if properly applied, would release some of the pressure on supplies and production.

In support of the food production program, standby goals must be prepared and requirements for nonfood materials and manpower necessary to support the food production program must be determined. Standby orders are necessary which will insure the proper distribution of farm equipment and commercial fertilizers and other production requisites in rural areas.

As indicated, all of these activities are concerned with food production and as such are related to the agricultural adjustment program.

With limited manpower it has not been possible to keep up with the prescribed time schedule for the work program and to study the many new production problems which are apparent. New studies must be undertaken, for example, of

effects of radioactive fallout in rural areas, assistance to essential farm producers who suffer losses during a defense emergency, and means of supplying farmers and food processors with basic requisites such as fuels and electric power under defense emergency conditions.

In previous years the minimum work necessary with respect to over-all food and material requirements for agriculture have been provided under this appropriation. Demands for analysis and evaluation of statistical data pertaining to defense mobilization activities are increasing and it will not be possible to absorb any further costs within this item.

(c) An increase of \$2,085,000 to provide funds to increase the rates of pay for county committee employees.

It is proposed to lay the groundwork for improving the efficiency of operations of the Agricultural Stabilization and Conservation county offices by providing the means with which they may employ and retain better qualified personnel. To meet this objective it is planned to initiate in 1957 a three-year schedule to increase the rates of pay for county committee employees to a level at least reasonably commensurate with their responsibilities and comparable to and competitive with those paid by Federal agencies or by private employers in the same area.

Present situation

The ASC county committees carry out the Department's price support, grain storage, acreage allotment and marketing quota, sugar, and agricultural conservation programs at the Department's point of contact with producers. These programs involve the expenditure of large sums of money, the handling and care of huge quantities of commodities and day-to-day relationships and transactions with millions of farmers and with banks and other elements of commercial trade. The county offices are regarded as the "backbone" of the structure for administering these important programs since their successful conduct rests substantially upon the efforts of County Office personnel. While the County Offices are small in size, averaging 6.8 man-years of employment per county during the fiscal year 1955, they are faced with a wide variety of the most complex and demanding tasks. However, the level of pay currently and in the past for county office employees is determined not upon the principle of equal pay for equal work, but, of necessity, primarily on the basis of the availability of funds. Due to a lack of funds there has not been an opportunity to apply uniform standards for recruitment of personnel.

Existing pay scales vary considerably from State to State and, on the average, are so low that qualified personnel either cannot be recruited or cannot be retained after they are trained when better pay for perhaps less arduous duties becomes available in the immediate locality. For example, the entrance annual salary of the lowest county office worker's pay scale is \$810 below the entrance salary of the lowest clerical worker in the classified Civil Service. Similarly, the average rate of pay for County Office Managers at the beginning of the fiscal year 1956 was \$561 less than the base of a Grade GS-7 under the classified Civil Service, which is one of the lowest supervisory positions, and the average for all other County Office employees was \$714 less than the base of a Grade GS-3 under the classified Civil Service which is the average for routine clerical work.

Effects of present situation

This disparity in pay scales and the resultant inability to recruit and hold qualified personnel has led to deficiencies in the work of County Offices which have been the subject of various critical reports in recent years by Congressional Committee investigators and auditors of the General Accounting Office, Commodity Stabilization Service and the ASC State Offices. These deficiencies were also thoroughly discussed before the House Subcommittee on Agricultural Appropriations during hearings on the 1956 Appropriation Bill.

Recognition of the need for pay adjustment by the House Appropriations Committee was indicated in the report on the Department of Agriculture and Farm Credit Administration Appropriation Bill, 1956, which stated as follows (on page 23):

"It is the belief of the Committee that considerable improvement in the operations of this far-flung and important agency would result from a change in personnel policies in the County Offices. It is recommended that the regular full-time employees of these offices be required to meet Civil Service qualifications for comparable work and be paid on a basis comparable to regular Federal salaries. Such a change should enable the Department to hold personnel in the County Offices fully responsible for the performance of their duties. Also, it should help to reduce present turnover and should help in the recruiting of qualified personnel. In addition to correcting many of the administrative deficiencies noted in the investigators' report, such a plan should increase employee efficiency and morale and should result in greater economy in the use of Federal funds. In the Committee's opinion, the added salary costs could be fully covered by savings resulting from such a change."

With respect to savings which may result from the proposed pay adjustment, it is of course not possible to ascertain the amount thereof until after the effects of the adjustment take place. It is anticipated that there may be dollar savings due to use of better-qualified personnel, but that much of the benefits will be intangibles in the form of a better job done. To the extent that savings occur as a result of greater efficiency, they will be reflected in budget estimates for subsequent years.

Plan of approach

No general percentage increase in pay levels is contemplated. The objective is to improve the effectiveness of operations by proper evaluation of the relative positions of various counties with respect to workload, difficulty of problems and other job factors, and the establishment of uniformly applied standards for recruitment for the individual jobs. These standards will be raised to as high a level as practicable. Salary scales will be adjusted to fit the individual jobs and to make it possible to compete

with other agencies of Government and local employers in recruiting and retaining the personnel qualified to perform the work. It is intended to concentrate attention first on getting the job of County Office Manager properly evaluated for each county, the appropriate level of compensation fixed and a fully qualified individual in the job. After this is accomplished similar attention will be applied to other jobs in the County Offices, with priority being given to those which appear to be most out-of-line.

County Offices will be classified on the basis of the variety, complexity and volume of their work and with due regard to prevailing wage rates in each locality. Each position in every County Office within a specific classification will be uniformly graded and for each of these grades there will be established a salary scale. This scale will be applied in each County on such a basis as to make it competitive with existing local rates of pay for comparable work. Thus, Office Managers having responsibilities of equal volume and complexity may receive different rates of pay depending on the local prevailing salary rates for similar work.

This classifying of county offices and the evaluation of the relative difficulty and responsibility of the jobs in each county will be performed by the State ASC Offices within the framework of a set of criteria and standards established on the basis of a survey of a representative sample of county offices over the country.

It is not possible or contemplated that the salaries of all positions in more than 3,000 counties can be raised to the desired levels in the fiscal year 1957. Hence, additional increases will have to be made in the next two years. Only qualified personnel will be considered for positions which are reclassified at higher rates. If incumbents are not qualified, they will not receive the higher rate unless and until they qualify.

The increases required by appropriations advanced to or reimbursing "Local Administration, Section 388, Agricultural Adjustment Act of 1938, Agriculture" for the three-year program are:

	: Fiscal Yr. :	Fiscal Yr. :	Fiscal Yr. :	
	: 1957 :	1958 :	1959 :	Total
Agricultural Adjustment	:	:	:	:
Programs	\$2,085,000	\$2,285,000	\$2,185,000	\$6,555,000
Agricultural Conservation	:	:	:	:
Program	1,438,000	1,438,000	1,438,000	4,314,000
Sugar Act Program	45,520	45,520	45,520	136,560
Other	2,297,184	2,297,184	2,297,184	6,891,552
Total	5,865,704	6,065,704	5,965,704	17,897,112

Type of Employee	Average Salary, 1956	Proposed Average Salary			Federal	
		1957 a/:	1958 a/:	1959 a/:	Grade	Rate b/
County office manager	\$3,964	\$4,344	\$4,739	\$5,128	GS-9	\$5,440
Office employee	2,461	2,697	2,942	3,183	GS-3	3,175
Field employee	2,858	3,132	3,417	3,697	GS-5	3,670

a/ Computed on percentage basis. Salary increases would be selective. County office manager salaries would probably average slightly higher and salaries for office and field employees slightly lower.

b/ Base of grade.

CHANGES IN LANGUAGE

The estimates include proposed changes in language of this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses to formulate and carry out acreage allotment and marketing quota programs pursuant to title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393), [~~\$39,000,000~~] \$41,463,000, of which not more than [~~\$6,000,000~~] \$6,571,100 shall be transferred to the appropriation account "Administrative expenses, section 392, Agricultural Adjustment Act of 1938."

The proposed change increases the amount which may be transferred into the appropriation account "Administrative expenses, section 392, Agricultural Adjustment Act of 1938" to \$6,571,100. The total increase of \$571,100 is composed of \$343,100 due to increased pay costs in fiscal year 1956 and proposed increases in 1957 of (1) \$174,700 for additional supervision and audit of Agricultural Stabilization and Conservation county committees, and (2) \$53,300 for defense mobilization activities as explained in the justification.



STATUS OF PROGRAM

Acreage allotment and marketing quota programs have been announced for the 1956 crops of tobacco, peanuts, wheat, cotton and rice. Acreage allotments for the 1956 crop of corn will be announced not later than February 1, 1956.

Tobacco Acreage Allotments and Marketing Quotas (953 counties)

The marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, treat each kind of tobacco as if it were a separate commodity. Quotas must be proclaimed whenever the total supply at the beginning of the marketing year exceeds the reserve supply level. Regardless of the supply situation, however, a quota must be proclaimed for each kind of tobacco for which a quota was proclaimed in the preceding year and for Virginia sun-cured tobacco for each marketing year for which a quota is proclaimed for fire-cured tobacco.

The marketing quota proclamation specifies in pounds of tobacco the quantity which may be marketed during the next following marketing year. It is an amount which will make available for marketing during that year, a supply equal to the reserve supply level. The poundage quotas are converted to acreage allotments on the basis of average yields during the five calendar years immediately preceding the calendar year in which the quotas are proclaimed. Quotas proclaimed for 1955 and 1956 are as follows:

<u>Kind of tobacco</u>	<u>Number of pounds</u>		<u>Approx. No. of acres</u>	
	<u>1955</u>	<u>1956</u>	<u>1955</u>	<u>1956</u>
Flue-cured	1,270,000,000	1,130,000,000	1,007,115	889,000
Burley	334,000,000	365,000,000	309,318	263,350
Fire-cured	58,100,000	49,100,000	50,503	42,755
Dark air-cured	24,000,000	19,900,000	21,006	16,674
Virginia sun-cured	5,700,000	5,600,000	5,747	5,539
Cigar filler and binder	73,700,000	61,600,000	46,587	39,353
Southern Maryland a/	39,000,000	37,900,000	46,987	45,800
Pennsylvania filler a/	46,800,000	37,800,000	30,709	24,577

a/ Disapproved in referenda.

Referendum - Within 30 days after issuance of proclamation of quotas, a referendum must be held. Farmers vote for quotas for three years and quotas become effective only if approved by at least two-thirds of the farmers voting. Quotas have been approved for the 1956 marketing year for flue-cured, fire-cured, dark air-cured, and cigar filler and binder tobaccos. Farmers will vote in referenda to be held December 29, 1955, to determine whether they favor quotas on burley, Virginia sun-cured, Southern Maryland, and Pennsylvania filler tobaccos for the marketing years 1956, 1957 and 1958.

Number of Allotment Farms and Acreage
Allotted, 1956 and 1955 Crops

State and kind of tobacco	1956 crop	1955 crop	
	Acreage allotted (prelim.)	Number of farms	Acreage allotted
<u>Flue-cured</u>			
Alabama	553	297	630.1
Florida	18,822	7,030	21,352.9
Georgia	89,982	29,164	102,097.9
North Carolina	585,976	127,484	665,269.4
South Carolina	103,013	27,095	116,842.4
Virginia	88,949	24,040	100,921.8
Reserve for new farms	2,224	-	-
Total	<u>889,519</u>	<u>215,110</u>	<u>1,007,114.5</u>
<u>Burley</u>			
Alabama	25	48	30.95
Arkansas	44	81	56.88
Georgia	74	224	98.23
Illinois	5	20	9.55
Indiana	6,606	10,217	7,825.25
Kansas	81	79	99.71
Kentucky	170,444	154,709	200,311.17
Missouri	2,721	1,734	3,232.32
North Carolina	8,588	19,467	10,126.07
Ohio	8,493	11,662	10,056.98
Oklahoma	4	1	4.00
Pennsylvania	2	3	2.42
South Carolina	4	14	5.25
Tennessee	53,861	96,545	63,587.73
Texas	1	2	0.40
Virginia	9,322	18,336	10,989.20
West Virginia	2,422	4,824	2,881.91
Reserve for new farms	658	-	-
Total	<u>263,355</u>	<u>317,966</u>	<u>309,318.02</u>
<u>Fire-cured</u>			
Illinois	1	1	0.30
Kentucky	16,174	9,801	19,268.60
Tennessee	18,177	8,914	21,402.04
Virginia	8,296	7,488	9,831.80
Reserve for new farms	107	-	-
Total	<u>42,755</u>	<u>26,204</u>	<u>50,502.74</u>

Number of Allotment Farms and Acreage
Allotted, 1956 and 1955 Crops

State and Kind of tobacco	1956 crop	1955 crop	
	Acreage allotted (prelim.)	Number of farms	Acreage allotted
<u>Dark air-cured</u>			
Indiana	50	150	74.3
Kentucky	14,192	20,928	17,936.8
Missouri	-	3	3.0
Tennessee	2,390	4,951	2,992.1
Reserve for new farms	42	-	-
Total	<u>16,674</u>	<u>26,032</u>	<u>21,006.2</u>
<u>Virginia sun-cured</u>			
Virginia	5,525	4,250	5,747.4
Reserve for new farms	14	-	-
Total	<u>5,539</u>	<u>4,250</u>	<u>5,747.4</u>
<u>Cigar filler and binder</u>			
Connecticut	10,149	1,582	11,647.0
Illinois	8	3	8.2
Indiana	2	1	2.1
Iowa	8	1	9.7
Massachusetts	5,136	1,086	5,980.5
Minnesota	253	143	312.6
New Hampshire	1	5	5.9
New York	191	155	283.5
Ohio	5,051	1,945	6,382.1
Pennsylvania	330	219	424.9
Vermont	8	1	8.1
Wisconsin	17,822	7,584	21,522.3
Reserve for new farms	394	-	-
Total	<u>39,353</u>	<u>12,725</u>	<u>46,586.9</u>
<u>Maryland</u>			
Delaware	1		
Maryland	45,629		
Virginia	28		
Reserve for new farms	115		
Total	<u>45,773</u>		

Number of Allotment Farms and Acreage
Allotted, 1956 and 1955 Crops

<u>State and kind of tobacco</u>	<u>1956 crop</u>	<u>1955 crop</u>	
	<u>Acreage allotted (prelim.)</u>	<u>Number of farms</u>	<u>Acreage allotted</u>
<u>Pennsylvania filler</u>			
Kentucky	2		
Maryland	1		
Pennsylvania	24,328		
Reserve for new farms	<u>246</u>		
Total	<u>24,577</u>		

The amount of the national quota, less that portion set aside for "new farms" and small farms is apportioned among the States on the basis of the production in each State during the five calendar years preceding the calendar year in which the quota is proclaimed. Adjustments in State production data must be made to the extent necessary to make correction for abnormal conditions of production, for small farms, and for trends in production, giving due consideration to seed bed and other plant diseases.

The Secretary is authorized to convert the State poundage quota into a State acreage allotment on the basis of average yield per acre of tobacco in the State during the five years preceding the year in which the the quota is proclaimed with appropriate adjustments for abnormal conditions of production.

Where the State quota is converted to a State acreage allotment, farm acreage allotments are established on the basis of past acreage, adjusted for abnormal weather and plant diseases, land, labor, and equipment available for production of tobacco; crop-rotation practices and the soil and other physical factors affecting the production of tobacco. Local committees allot the acreage among the farms on which tobacco is produced. Where farm acreage allotments are established, the farm quota is the actual production of tobacco from the farm acreage allotment.

Tobacco marketed in excess of the farm marketing quota is subject to a penalty per pound of 75 percent of the average market price for such kind of tobacco for the preceding marketing year. (Effective July 1, 1955 with respect to flue-cured; October 1, 1955 with respect to all other kinds of tobacco).

Whenever the Secretary determines that, under the marketing quotas and acreage allotments established for any kind of tobacco, the production of any one or more of the types comprising such kind of tobacco will not be sufficient to meet market demands and carryover requirements for such type or types of tobacco, the Secretary must make appropriate increases. The increases are made on the basis of production of such type or types of tobacco during the same period of years considered in establishing farm marketing quotas and acreage allotments for the kind of tobacco involved.

Peanut Acreage Allotments and Marketing Quotas (508 counties)

Quotas must be proclaimed each year regardless of the supply situation. The national marketing quota must be equal to the average quantity of peanuts harvested for nuts during the five years immediately preceding the year in which the quota is proclaimed, adjusted for current trends and prospective demand conditions.

A national marketing quota for the 1956 crop of peanuts of 719,670 tons and a national acreage allotment of 1,610,000 acres were announced on October 6, 1955.

Estimated Number of Allotment Farms and Acreage Allotted, 1956 and 1955 Crops

<u>State</u>	<u>Allotment farms</u>	<u>1956 Acreage allotment</u>	<u>1955 Acreage allotment</u>
Alabama	19,169	217,965	234,312
Arizona	25	717	771
Arkansas	457	4,220	4,536
California	25	940	1,010
Florida	5,544	54,777	58,885
Georgia	33,816	524,611	563,957
Louisiana	40	1,963	2,110
Mississippi	227	7,557	8,124
Missouri	2	246	264
New Mexico	468	4,906	5,274
North Carolina	18,607	168,813	181,474
Oklahoma	15,726	137,323	147,622
South Carolina	1,673	13,743	14,774
Tennessee	429	3,564	3,831
Texas	21,897	355,063	381,693
Virginia	8,958	105,542	113,425
Reserve for new farms	-	8,050	8,050
Total	127,063	1,610,000	1,730,112

On May 4, 1955, the Department announced an increase of 7-1/2 percent (from 740,600 to 796,145 tons) in the peanut marketing quota and in the individual acreage allotments for the 1955 crop. The increase was necessary because of the extremely small carryover resulting from the short 1954 crop and lower probable domestic production from the 1955 allotted acreage than was estimated at the time of the marketing quota determination for the 1955 crop.

The national marketing quota must be converted to a national acreage allotment by dividing the quota by the normal yield per acre of peanuts for the United States determined on the basis of the average yield per acre in the preceding five calendar years with necessary adjustments for trends in yields and for abnormal conditions of production.

The national acreage allotment less the acreage set aside for "new" farms is apportioned among the States on the basis of the State's share of the national acreage allotment for the preceding year.

The State acreage allotment is apportioned through local committees among farms on the basis of past acreage of peanuts, taking into consideration previous allotments, abnormal conditions, land, labor and equipment available for the production of peanuts, crop-rotation practices, and soil and other physical factors affecting the production of peanuts.

Whenever the Secretary determines that, on the basis of average yields per acre by types, adjusted for trends and abnormal conditions, the supply of any type or types is insufficient to meet the demand for cleaning and shelling purposes at which the Commodity Credit Corporation may sell its stocks of such peanuts, the Secretary is required to make appropriate increases in State acreage allotments. No State, however, may be increased above the acreage harvested in the State in 1947.

The amount of the farm marketing quota is the actual production of the farm acreage allotment.

The marketing of peanuts in excess of the farm marketing quota, or the marketing of peanuts from any farm for which no acreage allotment was determined, is subject to a penalty at a rate equal to 50 percent of the basic rate of the loan for quota peanuts for the marketing year beginning in the calendar year in which such peanuts are produced.

quotas are not applicable to any farm on which the acreage of peanuts harvested for nuts is one acre or less.

Wheat Acreage Allotments and Marketing Quotas (2,481 counties)

quotas must be proclaimed whenever in any calendar year the total supply for the marketing year beginning in such calendar year exceeds normal supply by more than 20 percent or the total supply is not less than normal supply and the average farm price for three successive months does not exceed 66 percent of parity.

On May 13, 1955, marketing quotas were proclaimed for the 1956 crop of wheat based upon the following determination of normal supply for the 1955-56 marketing year and the marketing quota position as indicated by the supply percentage.

<u>Normal Supply and Marketing Quota Level</u>	<u>Million bushels (adj.)</u>
1. Domestic consumption, 1954-55	675 ^{/a}
2. Exports, 1955-56	260
3. Total (item 1 + item 2)	935
4. Allowance for carryover (20% of item 3)	187
5. Normal supply (item 3 + item 4)	1,122
6. Marketing quota level (120% of item 5)	1,346
<u>Total supply and supply percentage</u>	
7. Estimated carryover, July 1, 1955	1,030
8. Estimated production, 1955	830
9. Estimated imports, marketing year 1955-56	3
10. Total supply (item 7 + item 8 + item 9)	1,863
11. Supply percentage (item 10 ÷ item 5)	166.0%

^{/a} Adjusted to provide a more normal amount of wheat for domestic use.

<u>Determination of National Acreage Allotment</u>	<u>Million bushels</u>
1. Normal year's domestic consumption	675
2. Normal year's exports	280
3. Total (item 1 + item 2)	955
4. 30% of normal year's domestic consumption and exports	286
5. Normal year's domestic consumption and exports plus 30%	1,241
6. Indicated carryover, July 1, 1956	950
7. Estimated imports, marketing year 1955-56	3
8. Total (item 6 + item 7)	953
9. Production needed in 1956 (item 5 - item 8)	288
10. National average yield per planted acre	15.5
11. National acreage allotment (item 9 ÷ item 10) ..	18,580,645
12. Minimum national acreage allotment (established by law)	55,000,000

State acreage allotments which are based on wheat acreages for the past ten years with adjustments for planting trends, weather, and other factors, were announced on May 18.

Acreage Allotments for Commercial Wheat States, 1956 and 1955 Crops

<u>State</u>	<u>1956 Acreage Allotted</u>	<u>1955 Acreage Allotted</u>
Arkansas	47,433	50,528
California	455,719	477,950
Colorado	2,702,237	2,677,216
Delaware	36,370	42,895
Georgia	105,624	105,610
Idaho	1,159,816	1,159,664
Illinois	1,384,461	1,375,942
Indiana	1,166,484	1,154,049
Iowa	139,443	138,057
Kansas	10,587,206	10,496,070
Kentucky	219,495	206,057
Maryland	187,546	203,953
Michigan	969,478	1,004,750
Minnesota	726,503	794,059
Missouri	1,163,686	1,141,147
Montana	4,002,138	4,029,466
Nebraska	3,200,332	3,207,330
New Jersey	55,141	57,252
New Mexico	465,924	447,354
New York	312,175	322,191
North Carolina	283,395	286,493
North Dakota	7,321,263	7,349,025
Ohio	1,594,233	1,599,297
Oklahoma	4,860,057	4,791,926
Oregon	819,522	807,897
Pennsylvania	620,185	639,642
South Carolina	133,488	136,763
South Dakota	2,749,275	2,776,584
Tennessee	199,261	201,261
Texas	4,227,136	4,207,578
Utah	314,994	317,363
Virginia	261,043	277,953
Washington	2,009,033	2,030,298
West Virginia	42,956	42,936
Wisconsin	45,147	55,213
Wyoming	303,725	291,219
Total, commercial area .	54,871,924	54,902,988
Total, non-commercial area	73,076	71,912
National reserve	55,000	25,100
Total	55,000,000	55,000,000

In a referendum held June 25, 1955, 77.5 percent of the farmers voting favored marketing quotas on the 1956 crop of wheat.

The national acreage allotment (less a reserve of not to exceed one percent thereof) is apportioned among States on the basis of the acreage seeded for the production of wheat during the 10 calendar years immediately preceding the calendar year in which the national acreage allotment is determined with adjustments for abnormal weather conditions and for trends in acreage.

The State acreage allotment, less a reserve of not to exceed 3 percent thereof, is apportioned among the counties on the basis of the acreage seeded for the production of wheat during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined with adjustments for abnormal weather conditions and trends in acreage during such period and for the promotion of soil conservation practices.

The allotment to the county is apportioned, through local committees, among farms on the basis of past acreage of wheat tillable acres, crop-rotation practices, type of soil, and topography. Not more than 3 percent of the county allotment must be apportioned to farms on which wheat has not been planted during any of the three marketing years preceding the marketing year in which the allotment is made.

The farm marketing quota is the actual production from the acreage planted to wheat on the farm less the farm marketing excess. The farm marketing excess is the normal yield times the excess acres but it may not exceed the difference between the actual production on the farm less normal production of the acreage allotment. The rate of penalty on wheat is 45 percent of the parity price per bushel on wheat as of May 1 of the calendar year in which the crop is harvested. The penalty may be avoided by (1) storing farm marketing excess in accordance with regulations established by the Secretary or (2) delivering such excess to the Secretary for his disposal. The farm marketing excess is subject to penalty even though it is used on the farm.

A wheat marketing quota is not applicable to any farm on which the acreage planted to wheat does not exceed 15 acres or the normal production of the acreage planted to wheat of the current crop is less than 200 bushels. If for any marketing year, the acreage allotment for wheat for any State is 25,000 acres or less, the Secretary may designate such State as outside the commercial wheat-producing area for such marketing year.

Cotton Acreage Allotments and Marketing Quotas (1,117 counties)

A national marketing quota must be proclaimed whenever, during any calendar year it is determined that the total supply exceeds the normal supply for Upland cotton and for extra long staple cotton, whenever the total supply exceeds normal supply by more than 8 percent.

Upland cotton. On October 14, 1955, a national marketing quota of 10 million bales and a national acreage allotment of 17,391,304 acres were announced. Under the basic formula provided by law, the upland cotton marketing quota would be below the announced level if it were not for the "minimum" provision.

This minimum is 10 million bales which automatically becomes the marketing quota under the existing supply situation. Marketing quotas were pro-claimed based upon the following:

<u>Total supply, 1955-56 marketing year</u>	<u>Bales</u>
1. Carryover, August 1, 1955	10,633,262
2. Indicated production, 1955	13,719,900 a/
3. Estimated imports	<u>50,000</u>
4. Total (item 1 + item 2 + item 3)	<u>24,403,162</u> b/

a/ October crop estimate.

b/ Includes the commodity set-aside from normal marketing channels under Title I of the Agricultural Act of 1954 and excludes stockpile and current crop ginnings prior to August 1.

<u>Normal supply, 1955-56 marketing year</u>	<u>Bales</u>
5. Domestic consumption, 1955	9,000,000
6. Estimated exports	<u>3,000,000</u>
7. Total (item 5 + item 6)	12,000,000
8. Allowance for carryover (30% of item 7) .	<u>3,600,000</u>
9. Total (item 7 + item 8)	15,600,000
10. Supply percentage (item 4 ÷ item 9)	156.4%

State acreage allotments were announced on November 3, 1955.

Acreage allotted, 1956 Compared with 1955 Crop

<u>State</u>	<u>1956 Crop Acreage Allotted</u>	<u>1955 Crop Acreage Allotted</u>
Alabama	1,025,111	1,101,804
Arizona	343,640	333,933
Arkansas	1,424,511	1,529,704
California	782,405	778,686
Florida	36,974	36,283
Georgia	903,221	950,818
Illinois	3,110	3,056
Kansas	29	35
Kentucky	7,799	8,374
Louisiana	610,891	648,442
Maryland	25	-
Mississippi	1,646,562	1,750,852
Missouri	378,055	399,627
Nevada	2,324	2,324
New Mexico	179,378	182,194
North Carolina	483,932	515,714
Oklahoma	845,616	872,532
South Carolina	726,193	773,945
Tennessee	563,491	593,868
Texas	7,410,893	7,612,779
Virginia	17,114	18,238
Total	<u>17,391,304</u>	<u>18,113,208</u>

Extra long staple cotton. On October 14, 1955, a national marketing quota of 35,300 bales and a national acreage allotment of 45,305 acres were proclaimed for the 1956 crop. Because of prospective large supplies, the quota is the "minimum" prescribed by law.

Quotas and allotments will apply principally to American-Egyptian, Sea Island (in the continental United States and Puerto Rico) and Sealand cotton.

<u>Total supply, 1955-56 marketing year</u>	<u>Bales</u>
1. Carryover, August 1, 1955	174,493
2. Indicated production, 1955	45,100
3. Estimated imports	100,000
4. Total (item 1 + item 2 + item 3)	<u>319,593</u>

a/ October crop estimate.

<u>Normal supply, 1955-56 marketing year</u>	
5. Domestic consumption, 1955	110,000
6. Estimated exports	5,000
7. Total (item 5 + item 6)	<u>115,000</u>
8. Allowance for carryover (30% of item 7)	34,500
9. Total (item 7 + item 8)	<u>149,500</u>
10. Supply percentage (item 4 + item 9)	213.8%

Acreage Allotted, by State, 1956 Crop Compared with 1955

	<u>Number of designated counties</u>	<u>1956 Acreage Allotted</u>	<u>1955 Acreage Allotted</u>
Arizona	7	18,433	18,472
California	2	291	296
Florida	14	559	612
Georgia	4	120	157
New Mexico	5	8,424	8,529
Texas	9	15,770	15,964
Puerto Rico	North and South Areas	1,708	2,124
Total		<u>45,305</u>	<u>46,154</u>

In referenda held December 13, 1955, 93.0% of the farmers voting favored quotas for the 1956 crop of Upland cotton and 90.5% favored quotas for extra long staple cotton.

The national acreage allotment is apportioned to the States on the basis of the acreage planted to cotton (or regarded as planted) in the five calendar years immediately preceding the calendar year in which the national marketing quota is proclaimed with adjustments for abnormal weather.

The State acreage allotment is apportioned to counties on the basis of the acreage planted (or regarded as planted) to cotton in the five calendar years immediately preceding the calendar year in which the national marketing quota is proclaimed with adjustments for abnormal weather.

The State Committee is authorized to reserve not to exceed 10 percent (15 percent in the case of one State) of the State allotment for adjustments in

county allotments due to trends in acreage, abnormal conditions affecting plantings, small or new farms, or to correct inequities in farm allotments and to prevent hardship.

The county acreage allotment (less the reserve) is apportioned to farms on which cotton has been planted in any one of the past three years, (1) by allotting initially to each farm the smaller of five acres or the highest number of acres planted to cotton in such three-year period and (2) by allotting the remainder to farms (other than those whose initial allotment was the highest number of acres planted in the past three years) on the basis of a county cropland percentage, excluding the acreages devoted to specified crops and non-irrigated lands in irrigated areas. No farm may be allotted an acreage under this provision in excess of the highest number of acres planted in the past three years.

The county committee may reserve not to exceed 15 percent of the county allotment for establishing "new" farm allotments and for adjusting "old" farm allotments, but not less than 20 percent of the reserve must be allotted to farms which otherwise would receive allotments of not more than 15 acres.

The farm marketing quota is the actual production from acreage planted to cotton on the farm less the farm marketing excess. The farm marketing excess is the normal yield times excess acres, but it may not exceed the difference between the actual production on the farm less the normal production of the acreage allotment.

For Upland cotton, the farm marketing excess is subject to a penalty at a rate equal to 50 percent of parity price as of June 15 of the calendar year in which the crop is produced and for extra long staple cotton the penalty rate is the higher of 50 percent of parity price or 50 percent of support price.

Corn Acreage Allotments (805 counties)

On November 5, 1954, the Department announced that acreage allotments would be in effect for the 1955 crop and also designated a commercial corn-producing area of 805 counties in 21 States. Marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, relating to corn were repealed by Public Law 690, 83d Congress.

The acreage allotment of corn for any calendar year shall be that acreage in the commercial corn-producing area which, on the basis of the average yield for corn in such area during the five calendar years immediately preceding such calendar year, adjusted for abnormal weather conditions, will produce an amount of corn in such area, which together with corn produced in the United States outside the commercial corn-producing area and corn imported, make available a supply for the marketing year beginning in such calendar year, equal to the normal supply. The acreage allotment must be proclaimed not later than February 1 of the calendar year for which such acreage allotment was determined.

The acreage allotment for corn is apportioned among counties in the commercial corn-producing area on the basis of acreage seeded for the production of corn during the five calendar years immediately preceding the calendar year in which the apportionment is determined with adjustments for abnormal weather conditions and for trends in acreage during such period and for the promotion of soil conservation practices.

The acreage allotment for the county is apportioned through local committees among the farms within the county on the basis of tillable acreage, crop-rotation practices, type of soil, and topography.

Although not expressly provided for in legislation, the acreage allotment for the commercial corn-producing area is apportioned among the States in such area to facilitate administration.

Computation of National Acreage Allotment

<u>Normal supply</u>	<u>Million bushels</u>
1. Domestic consumption (1954-55) adjusted ...	3,075
2. Exports (1955-56), estimate	115
3. Total (item 1 + item 2)	3,190
4. Allowance for carryover (15% of item 3) ...	478
5. Normal supply (item 3 + item 4)	3,668
<u>Acreage allotment</u>	
6. Carryover indicated October 1, 1955	800
7. Total production needed in 1955 (item 5 - item 6)	2,868
8. Estimated production outside of commercial area and imports	650
9. Production needed in commercial area (item 7 - item 8)	2,218
10. Adjusted average yield in commercial area (bushel per acre)	44.5
11. 1955 acreage allotment (acres)	49,842,697
12. 1954 acreage planted in commercial area ...	55,499,770
13. 1955 allotment as percent of 1954 acreage .	89.8%

State	<u>1955 Crop</u>		<u>1954 Crop</u>	
	<u>No. commercial counties</u>	<u>Acreage allotted</u>	<u>No. commercial counties</u>	<u>Acreage allotted</u>
Arkansas	-	-----	4	138,820
Delaware	3	151,138	3	136,600
Illinois	101	8,172,895	101	7,524,522
Indiana	89	4,160,233	89	3,823,293
Iowa	99	9,636,620	99	9,063,929
Kansas	22	1,274,559	28	1,415,054
Kentucky	43	1,145,429	43	1,060,530
Maryland	14	333,647	14	309,670
Michigan	29	1,175,522	29	1,048,923
Minnesota	58	4,738,582	58	4,326,951
Missouri	69	3,281,548	74	3,069,695
Nebraska	61	5,923,994	63	5,692,096
New Jersey	7	99,366	7	93,253
North Carolina ..	23	890,177	25	785,826
North Dakota ...	1	96,478	1	89,493
Ohio	68	2,960,633	69	2,731,498
Pennsylvania ...	30	811,954	30	745,304
South Dakota ...	32	2,726,309	36	2,713,041
Tennessee	9	339,370	15	465,576
Virginia	9	171,886	9	159,852
West Virginia ..	22	21,935	2	20,771
Wisconsin	36	1,730,422	35	1,580,807
Total	<u>805</u>	<u>49,842,697</u>	<u>834</u>	<u>46,995,504</u>

Rice Acreage Allotments and Marketing Quotas (130 counties)

On December 30, 1954, a national rice acreage allotment of 1,859,099 acres and marketing quotas for the 1955 crop of rice based on this acreage were proclaimed.

Marketing quotas for rice must be proclaimed whenever in any calendar year it is determined that the total supply of rice for the marketing year beginning in such calendar year will exceed normal supply for such marketing year by more than 10 percent. Marketing quotas for any crop of rice may be proclaimed at any time during the calendar year preceding the calendar year in which the crop will be produced.

A referendum must be held within 30 days after the proclamation of quotas to determine whether farmers approve quotas. In order to become effective, at least two-thirds of the farmers voting must favor quotas.

Not later than December 31 of each calendar year, a national acreage allotment for the crop of rice to be produced in the next calendar year must be proclaimed. The national acreage allotment is that acreage which will, on the basis of the national average yield of rice for the five preceding calendar years, produce an amount of rice adequate, together with the estimated carryover from the marketing year ending in the calendar year then current, to make available a supply for the marketing year beginning in the next calendar year, not less than the normal supply.

Determination of Normal Supply, Marketing Quota
Level, Total Supply and Supply Percentage

Normal supply and marketing quota level Thousand Cwts.

1. Estimated domestic consumption, 1953-54	25,620
2. Estimated exports, 1954-55	26,000
3. Total (item 1 + item 2)	51,620
4. Allowance for carryover (10% of item 3)	5,162
5. Normal supply (item 3 + item 4)	56,782
6. Marketing quota level (110% of item 5)	62,460

Total supply and supply percentage

7. Carryover on August 1, 1954	7,557
8. Estimated production in 1954	58,950
9. Estimated imports, 1954-55	350
10. Total supply (item 7 + item 8 + item 9)	66,857
11. Supply percentage (item 10 ÷ item 5)	117.6%

Determination of Normal Supply and National Acreage Allotment

Normal supply /a Thousand Cwts.

1. Estimated domestic consumption, 1954-55	26,850
2. Estimated exports, 1955-56	26,000
3. Total (item 1 + item 2)	52,850
4. Allowance for carryover (10% of item 3)	5,285
5. Total (item 3 + item 4)	58,135

National acreage allotment

6. Estimated carryover on August 1, 1955	14,000
7. Indicated production needed in 1955 (item 5 - item 6)	44,135
8. National average yield per planted acre, 1950-54	2,374 lbs.
9. Indicated acreage allotment (item 7 ÷ item 8) .	1,859,099 acres
10. Estimated acreage planted in 1954	2,467,000 acres
11. Indicated percentage reduction from 1954 plantings	24.7%

/a Normal supply is for the marketing year commencing in the calendar year for which the national acreage allotment is determined.

In a referendum held January 28, 1955, 90.2 percent of the farmers voting favored marketing quotas for the 1955 crop of rice.

Acreage Allotted Compared with 1954 Plantings

<u>State</u>	<u>Allotment announced Feb. 25, 1955</u>	<u>Increased Allotment pursuant to P. L. 29</u>	<u>Plantings, 1954</u>
Arizona	47	269	0
Arkansas	435,639	453,850	613,000
California	343,362	352,729	485,000
Florida	1,075	1,126	755
Illinois	8	24	30
Louisiana	519,634	558,934	656,000
Mississippi	47,499	54,884	84,000
Missouri	3,905	5,183	9,020
North Carolina	0	34	50
Oklahoma	0	175	0
South Carolina	2,224	2,917	3,242
Tennessee	593	605	821
Texas	486,522	496,929	624,000
Reserve	18,591	250	...
Total	<u>1,859,099</u>	<u>1,927,909</u>	<u>2,475,918</u>

The national acreage allotment, less a reserve of not to exceed 1 percent thereof for apportionment to farms receiving allotments which are inadequate because of an insufficient State or county allotment or because rice was not planted on the farm during all the preceding five years, is apportioned among the rice-producing States on the basis of the average number of acres of rice in each State during the preceding five years, with adjustments for trends in acreage during such period.

The State acreage allotment is apportioned in one of two ways:

1. To rice producers on the basis of past production of rice by the producer, taking into consideration the acreage allotments previously established for such producer (in the State), abnormal conditions affecting acreage, land, labor, and equipment available for the production of rice, crop-rotation practices, and the soil and other physical factors affecting the production of rice. Not more than 3 percent of the State acreage allotment is apportioned to persons who have not produced rice during any one of the past five years. The producer allotments so determined are assigned to farms on which the producers will be engaged in producing the crop of rice for which the allotments are established.

2. If the Secretary, upon recommendation of the State Committee determines that such action will facilitate the effective administration of the Act, the State acreage allotment is apportioned to farms on which rice has been produced during any one of such period or years on the basis of foregoing factors using past production of rice on the farm and the acreage allotments previously established for the farm in lieu of past production of rice by the producer and the acreage allotments previously established

for such producers. Not more than 3 percent of the State acreage allotment is apportioned to farms on which rice has not been produced for the past five years on the basis of the applicable factors heretofore mentioned.

The farm marketing quota is the actual production on the farm less "farm marketing excess." The farm marketing excess is the normal production of the number of acres planted in excess of the farm acreage allotment, except that the farm marketing excess may not be larger than the amount by which the actual production on the farm exceeds the normal production of the farm acreage allotment if the producer furnishes proof of such actual production to the Secretary.

Whenever marketing quotas are in effect the producer is subject to a penalty on the farm marketing excess at a rate per pound equal to 50 percent of the parity price as of June 15 of the calendar year in which the crop is produced. The penalty may be avoided or postponed by storage or by disposing of the commodity in such other manner not inconsistent with the purposes of the Act, as the Secretary shall prescribe, including delivery to the Commodity Credit Corporation or other agency within the Department.

Quota Penalty Collections

The following table shows the cumulative marketing quota penalty collections which, except for refunds to producers, are eventually covered into the General Fund of the Treasury.

Summary of Cumulative Net Marketing
Quota Penalty Collections through 6/30/55

Marketing: Year	Tobacco	Peanuts	Wheat	Cotton	Total
1938-39	\$943,225.00	\$-	\$-	\$218,382.38	\$1,161,607.38
1939-40	-	-	-	518,628.98	518,628.98
1940-41	672,010.20	-	-	672,923.32	1,344,933.52
1941-42	184,972.89	44,110.13	13,111.04	2,009,036.69	15,349,162.58
1942-43	422,393.90	104,840.90	2,037,182.66	1,489,990.83	4,054,408.29
1943-44	514,563.85	-	-	*	514,563.85
1944-45	1,738,585.09	-	-	-	1,738,585.09
1945-46	4,017,148.49	-	-	-	4,017,148.49
1946-47	4,064,339.73	-	-	-	4,064,339.73
1947-48	1,005,258.52	-	-	-	1,005,258.52
1948-49	1,519,056.74	-	-	-	1,519,056.74
1949-50	2,599,977.44	139,243.25	-	-	2,739,220.69
1950-51	3,890,715.22	288,248.01	-	1,325,492.03	5,504,455.26
1951-52	4,635,274.05	557,158.71	-	-	5,192,432.76
1952-53	3,652,471.36	137,817.65	-	-	3,790,289.01
1953-54	3,128,650.67	296,653.41	-	-	3,425,304.08
1954-55	5,569,503.52	340,923.61	2,346,544.30	571,741.50	8,828,712.93
1955-56	-	73.20	55,977.10	-	56,050.30
Total	38,558,146.67	1,909,068.87	17,550,746.93	6,806,195.73	64,824,158.20

Legislation enacted, 1st session, 84th Congress, affecting acreage allotment and marketing quota provisions of the Agricultural Adjustment Act of 1938

Tobacco

Public Law 21

1. Directs the redetermination of the national marketing quota for burley tobacco for the 1955-56 marketing year.
2. Authorizes reductions, in redetermining this quota, by an amount not to exceed one-tenth of an acre the existing allotments which are seven-tenths of an acre or less but more than five-tenths of an acre.
3. Changes minimum acreage allotment by establishing the new minimum as not less than the smallest of (a) the allotment established for the farm for the immediately preceding year, (b) five-tenths of an acre, or (c) 10 percent of the cropland.
4. Provides that any acreage harvested in excess of the farm acreage allotment for the year 1955 or any subsequent crop shall not be taken into account in establishing future acreage allotments.
5. Penalizes producers who file, or aid in filing, false reports on tobacco acreage grown on their farms.
6. Increases the rate of excess marketing penalty from 50 to 75 percent of the average market price for the immediately preceding marketing year.

Public Law 96. Directs the Secretary to make study and report on burley tobacco marketing controls for the purpose of developing basic information which will aid Congress in formulating an improved program for the production and marketing of burley tobacco.

Public Law 279. Provides that if marketing quotas have been disapproved in three successive years subsequent to 1952, thereafter a national marketing quota will not be proclaimed which would be in effect for any marketing year within the three-year period unless prior to November 10 of the marketing year, one-fourth or more of the farmers petition the Secretary to proclaim a national marketing quota for each of the next three succeeding marketing years.

Public Law 351. Provides that in establishing farm acreage allotments for burley tobacco crops for 1956, 1957, and 1958, the acreage allotment for any farm which has not been retired from agricultural production shall not be reduced below the acreage allotment which would otherwise be established because the harvested acreage was less than the allotted acreage unless the acreage harvested was less than 50 percent of the allotted acreage in each of the preceding five years, in which event, it shall not be reduced for such reason to less than the largest acreage harvested in any year in such five-year period.

Public Law 361. Provides that the production of tobacco on a farm for which no acreage allotment has been established shall not make the farm eligible

for an allotment as an "old" farm provided that by reason of such production the farm need not be considered as ineligible for a new farm allotment but such production shall not be deemed past tobacco experience for any producer on the farm.

Wheat

Public Law 8. Provides for increased durum wheat acreage allotments and marketing quotas for the 1955 crop for farms located in specified States, which increase shall be in addition to National, State, and county acreage allotments. The authorized increase is not to be considered in establishing future acreage allotments.

Rice

Public Law 27. Authorizes reapportionment of acreage allotment on which rice will not be planted and which is voluntarily surrendered to the county committee, to other farms in the same county.

Public Law 28. Provides that in determining the past production of rice by producers on a farm for the purpose of establishing farm acreage allotments for the 1956 and subsequent crops, the acreage of rice for any year for which farm acreage allotments were in effect shall be divided among the producers thereon in the proportion in which they contributed to the farm acreage allotment.

Public Law 29.

1. Increases each 1955 State acreage allotment by 2 percent.
2. Provides each State with a 1955 rice allotment at least equal to its 1950 allotment.
3. Provides each county whose base acreage for 1955 exceeded by at least 2 percent its base acreage for 1950 with a 1955 allotment at least equal to its 1950.
4. Increases each State reserve with respect to the 1955 crop for new producers and new farms to a minimum of 500 acres.

Public Law 288. Provides that for 1956 no national acreage allotment shall be established which is less than 85 percent of the final allotment established for 1955.

Public Law 292. Provides that in States where farm acreage allotments are established on a producer basis, only the past plantings of rice by the producer within the State and acreage allotments previously established in the State for the producer shall be used in determining such allotments.

Food Materials and Requirements

The Commodity Stabilization Service has been assigned responsibility for part of the continuing activities of the Department in the area of preparedness measures relating to food and the domestic distribution of farm equipment and supplies. This work is financed from this appropriation.

SUGAR PROGRAM

Purpose Statement

The principal objectives of the sugar program, carried out under the Sugar Act of 1948, as amended, are to protect the welfare of domestic producers, to provide consumers with adequate supplies of sugar at reasonable prices and to promote our general export trade. Provisions are also made to insure that a fair share of the consumers' dollars goes to domestic producers of sugar cane and sugar beets and to laborers working in cane and beet fields. The attainment of these objectives involves the determination of United States sugar requirements, the administration of quotas to regulate imports of sugar produced in foreign areas and marketing of sugar produced in domestic areas, and the making of payments to domestic producers of sugar beets and sugar cane.

The Continental United States produces sugar from both sugar beets and sugar cane. Additional quantities of sugar are produced from sugar cane in Hawaii, Puerto Rico, and the Virgin Islands. The domestic sugar output, produced at higher cost per unit than in foreign areas, falls far short of meeting the nation's requirements. To meet total needs, the United States must import substantial quantities of sugar from foreign areas, mainly from Cuba and the Philippines.

If unlimited quantities of sugar were permitted entry into the continental United States from Cuba, the Philippines, and other foreign countries, prices to domestic consumers under ordinary circumstances could be expected to be slightly lower. However, under the present wage standards in domestic producing areas, unlimited imports (unless accompanied by a substantially higher tariff) would place domestic producers in an extremely difficult, if not impossible, competitive position, or would force drastic wage reductions in domestic areas. Moreover, the economy of most of the domestic cane sugar-producing areas is dependent on sugar-producing crops for which there is no feasible alternative.

Quotas - The Sugar Act of 1948, as amended, provides the quota system to balance supply with demand. Under quotas, the Secretary of Agriculture, as authorized by the Act, determines at the end of each calendar year the sugar requirements for the coming year. The requirements for the calendar year 1955 were initially established in December, 1954 at 8,200,000 short tons, raw value. On July 22, 1955, the quota level was raised to 8,300,000 tons, and on October 8, 1955 to 8,400,000 tons.

The quota provisions of Public Law 140, 82nd Congress, approved September 1, 1951, became effective January 1, 1953. Basic calendar year quotas, under this legislation, for the five domestic producing areas - domestic beet, mainland cane, Hawaii, Puerto Rico and the Virgin Islands - total 4,444,000 tons, raw value, and for the Philippines, 977,000 tons, raw value (raw value equivalent of 925,000 short tons, commercial weight). Quotas for other foreign countries, equal to the balance of requirements, are apportioned on the basis of 96 percent to Cuba and 4 percent to all other foreign countries.

Production Adjustment - The Act provides that if production in any area will be greater than the quantity necessary to fill the quota and provide a normal carry-over inventory, restrictive proportionate shares (Farm Marketing Allotments), shall be established. A restrictive program is designed to balance supplies within an area with the quota and normal carry-over requirements. The total quantity of sugar which may be produced in an area is divided among individual growers, and as one of the conditions for payment, production must not exceed the proportionate share.

Payments - Domestic producers of sugar beets receive conditional payments averaging about \$2.50 per ton of beets. For producers of sugar cane the payments within the various domestic producing areas range from about \$1.05 to \$1.65 per ton of cane. The Sugar Act imposes a special tax of 50 cents per hundredweight of sugar, raw value, on all manufactured sugar from sugar beets or sugar cane either produced in or brought into the continental United States.

Revenue - From the inception of the program in the 1938 fiscal year through the fiscal year 1955, \$1,298,858,419 of sugar excise and import taxes have been collected while obligations under the program have amounted to \$986,210,043.

	Estimated Available, 1956	Budget Estimate, 1957
Appropriated funds	\$59,600,000	\$67,600,000

(b) Sugar Act Program

Appropriation Act, 1956, and base for 1957	\$59,600,000
Budget Estimate, 1957	67,600,000
Increase	<u>+8,000,000</u>

SUMMARY OF INCREASES AND DECREASES, 1957

For mandatory payments to sugar producers for the 1956 crop	+7,767,600
For operating expenses	+232,400

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increases or Decreases	1957 (estimated)
1. Payments to sugar producers:				
(a) Continental beet area ..	\$33,250,000	\$29,737,000	+\$826,061	\$30,563,061
(b) Continental cane area ..	8,060,000	8,316,600	-970,270	7,346,330
(c) Offshore cane area	a/16,834,881	19,905,800	+7,911,809	27,817,609
Total payments	58,144,881	57,959,400	+7,767,600	65,727,000
2. Operating expenses	b/ 1,455,119	1,640,600	+232,400	1,873,000
Total Pay Act Costs (P. L. 94)	[19,411]	[65,600]	[+5,400]	[71,000]
Total appropriation or estimate:	59,600,000	59,600,000	+8,000,000	67,600,000

a/ In addition, \$36,713 available from prior-year balance.

b/ In addition, \$59,065 available from prior-year balance.

INCREASES OR DECREASES

(1) The increase of \$8,000,000 in this item is comprised of the following:

(a) An increase of \$7,767,600 for conditional payments to sugar producers on the 1956 crop. On the basis of present estimates of production, \$65,527,891 would be required for the 1956 Sugar Program plus \$16,057,180 for payments on the 1955-56 Puerto Rico crop which were deferred until the 1957 fiscal year, and \$826,000 for payments in the beet area deferred until fiscal year 1957, making total requirements for the program of \$82,411,071 for the fiscal year 1957.

The deferral of \$16,883,180 in the two areas indicated above should cause no hardship. Harvesting of the 1955-56 Puerto Rico crop will not be completed until the first month of the fiscal year 1957. The \$826,000 deferred in the beet area is slightly less than the estimated payment obligations on the 1955 beet crop to be harvested in the Imperial Valley of California. The harvest period for this area for such crop extends over the last quarter of the 1956 fiscal year. Since payments for Puerto Rico 1955-56 crop under the 1956 appropriation have been deferred to the maximum extent practicable, it is necessary to defer some payments for the 1955 crop in the beet area.

The appropriation requested is \$67,600,000, resulting in an estimated deferral of \$14,811,071 until fiscal year 1958 for payments on the 1956-57 Puerto Rico crop.

Compared to the 1956 appropriation, the 1957 estimate represents an increase of \$7,767,600 in payments to producers. Both fiscal year and crop year estimates are compared in Table I which follows:

SOURCE OF FINANCING

Table I

Program Year	Fiscal Year Appropriation				
	1954	1955	1956	1957	
	Appropriation	Appropriation	Appropriation	Estimate	Total
<u>1953 Sugar Program:</u>					
Payments to producers:					
Puerto Rico (1953-1954)	- -	\$43,000:	- -	- -	- -
<u>1954 Sugar Program:</u>					
Payments to producers:					
Continental sugar beet area	- -	33,250,000:	- -	- -	33,250,000
Continental sugar cane area	- -	8,060,000:	- -	- -	8,060,000
Hawaii	\$200,000:	9,732,469:	- -	- -	9,932,469
Puerto Rico (1954-55)	323,658:	6,931,662:	9,094,680:	- -	16,350,000
Virgin Islands	- -	127,750:	- -	- -	127,750
Total, 1954 sugar payments	523,658:	58,101,881:	9,094,680:	- -	67,720,219
<u>1955 Sugar Program:</u>					
Payments to producers:					
Continental sugar beet area	- -	- -	29,737,000:	826,000:	30,563,000
Continental sugar cane area	- -	- -	8,316,600:	- -	8,316,600
Hawaii	- -	- -	10,385,300:	- -	10,385,300
Puerto Rico (1955-56)	- -	- -	298,820:	16,057,180:	16,356,000
Virgin Islands	- -	- -	127,000:	- -	127,000
Total, 1955 sugar payments	- -	- -	48,864,720:	16,883,180:	65,747,900
<u>1956 Sugar Program:</u>					
Payments to producers:					
Continental sugar beet area	- -	- -	- -	29,737,061:	29,737,061
Continental sugar cane area	- -	- -	- -	7,346,330:	7,346,330
Hawaii	- -	- -	- -	10,063,000:	10,063,000
Puerto Rico (1956-57)	- -	- -	- -	1,544,929:	1,544,929
Virgin Islands	- -	- -	- -	152,500:	152,500
Total, 1956 sugar payments	- -	- -	- -	48,843,820:	48,843,820
Total program payments	- -	58,144,881:	57,959,400:	65,727,000:	- -
Operating expenses	- -	1,455,119:	1,640,600:	1,873,000:	- -
Total appropriation or estimate	- -	59,600,000:	59,600,000:	67,600,000:	- -

Total 1956 crop sugar production in the domestic producing areas is estimated at 4,614,000 short tons, raw value, compared with an estimated production of 4,767,000 tons from the 1955 crop. Imposition of restrictive proportionate shares on the 1955 and 1956 crops in the beet area are expected to limit the area's sugar production from such crops to 1,850,000.

Continued acreage restrictions in the mainland cane area on the 1956 crop are expected to reduce the area's production substantially below its 1955 crop level of 600,000 tons. Quota level production of 1,180,000 tons is also expected from both the 1955-56 and 1956-57 crops in Puerto Rico while production from the 1955 and the 1956 crops in Hawaii is estimated at 1,127,000 and 1,092,000 tons, respectively. Virgin Island's 1955 crop production totaled 10,000 tons, however, this area is expected to produce its quota level of production of 12,000 tons from the 1956 crop, or an increase of 2,000 tons.

The obligations on the 1956 crops are estimated to be \$2,093,009 lower than the obligations on the 1955 crop due to the estimated net production decrease of 153,000 tons. The estimate for the 1956 Sugar Program is compared with prior crop-year data on tonnage, production, total payments, and average payment per ton in Table II and number of payees in Table III which follow:

Table II

Sugar Program Payment Data
1954-56 Crop Years

	1955 Fiscal Year (1954 Crop Year)	1956 Fiscal Year (1955 Crop Year) a/	1957 Fiscal Year (1956 Crop Year) a/	Increase (+) or decrease (-) 1956 crop year compared with 1955 crop year
Beet Area				
Actual tons produced	1,999,000	1,850,000	1,800,000	-50,000
Total payments	\$33,250,000	\$30,563,000	\$29,737,061	-\$825,939
Payment per ton	\$16.63	\$16.52	\$16.52	-
Mainland Cane Area				
Actual tons produced	610,000	600,000	530,000	-70,000
Total payments	\$8,060,000	\$8,316,600	\$7,346,330	-\$970,270
Payment per ton	\$13.21	\$13.86	\$13.86	-
Hawaii				
Actual tons produced	1,077,000	1,127,000	1,092,000	-35,000
Total payments	\$9,932,469	\$10,385,300	\$10,063,000	-\$322,300
Payment per ton	\$9.22	\$9.22	\$9.22	-
Puerto Rico				
Actual tons produced	1,166,000	1,180,000	1,180,000	-
Total payments	\$16,350,000	\$16,356,000	\$16,356,000	-
Payment per ton	\$14.02	\$13.86	\$13.86	-
Virgin Islands				
Actual tons produced	10,000	10,000	12,000	+2,000
Total payments	\$127,750	\$127,000	\$152,500	+\$25,500
Payment per ton	\$12.78	\$12.70	\$12.71	+\$0.01
Total				
Actual tons produced	4,862,000	4,767,000	4,614,000	-153,000
Total payments	\$67,720,219	\$65,747,900	\$63,654,891	-\$2,093,009
Average payment per ton	\$13.93	\$13.79	\$13.80	+\$0.01

a/ Estimated.

Table III

NUMBER OF PAYEES

Area of Production	1954 Crop	1955 Crop (estimated)	1956 Crop (estimated)
Continental sugar beet area	42,000	43,000	43,000
Continental sugar cane area	7,600	7,600	7,600
Hawaii	1,067	1,200	1,100
Puerto Rico	20,100	20,100	20,100
Virgin Islands	434	500	500
Total	71,201	72,400	72,300

(b) An increase of \$186,880 for compliance checking and other related sugar program operations. An increase is required in operating expenses for over-all compliance checking including acreage measurements on the 1956 crop proportionate shares, and other related sugar operations involving increased workload at the National, State and County office levels. Additional funds are primarily needed:

At the Agricultural Stabilization and Conservation State and Insular levels for:

1. Increased assistance to and supervision of ASC county office personnel concerning all aspects of compliance checking and other conditional payment program operations which is consistent with recommendations by the General Accounting Office to increase the efficiency and effectiveness of the sugar program;
2. Checking compliance on approximately 1,500 farms with respect to proportionate shares established for the 1956 Hawaiian sugarcane crop, and for establishing and implementing 1957 crop proportionate shares for the same number of farms in this area;
3. Training ASC county office personnel as to acreage measurement requirements in determining compliance with the restrictive proportionate shares established on the 1956 beet crop; and
4. Establishing restrictive proportionate shares for areas within the State and for individual farms in connection with the 1957 beet crop and instructing ASC county office personnel as to the methods of implementing such restrictions.

At the County Office level for:

Measuring acreage to determine compliance with restrictive proportionate shares established on the 1956 beet crop. A careful analysis of the costs of measuring acreage on crops other than sugar beets indicates that the costs per farm are averaging about \$6.00, whereas funds available for such work under the Sugar Program in 1956 are considerably lower and will make it necessary to defer some measurements until 1957.

(c) An increase of 45,520 for Agricultural Stabilization and Conservation county committee employees to permit the initiation of a 3-year program which will bring the average salaries of the Agricultural Stabilization and Conservation county committee employees in line with present salary scales for classified employees performing comparable work. The need for additional funds for this purpose is discussed in more detail under the appropriation "Agricultural Adjustment Programs".

CHANGES IN LANGUAGE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses to carry into effect the provisions of the Sugar Act of 1948 (7 U.S.C. 1101-1160), [59,600,000] \$67,600,000, to remain available until June 30 of the next succeeding fiscal year: Provided, That expenditures (including transfers) from this appropriation for other than payments to sugar producers shall not exceed [1,575,000] 1,873,000.

The change in language increases the amount of administrative expense limitation from 1,575,000 to 1,873,000. The increase consists of 65,600 for increased pay costs in 1956 and proposed increases in 1957 to cover: (1) the costs of increased workload in connection with administration of restrictive proportionate share program; (2) increased costs of farm acreage measurements to adequately check proportionate shares compliance; and (3) and increase to permit the initiation of a 3-year program which will bring the salaries for the Agricultural Stabilization and Conservation county committee employees in line with present salary scales for classified employees performing comparable work.

Sugar Requirements and Quotas

The Sugar Act provides that the Secretary of Agriculture shall determine in December of each year the consumer requirements for the succeeding year and make such revisions of the initial estimate as necessary.

Quotas are based upon the estimated consumption requirements. The quotas for the calendar year 1954 which were initially established at 8,000,000 short tons, raw value, and raised in March 1954 to 8,200,000 tons, were increased again on December 3, 1954 to 8,250,000 tons to provide quantities needed to meet U. S. consumption and year-end inventory requirements. The initial quotas for calendar year 1955 were established at the level of 8,200,000 short tons, raw value, 300,000 tons below the anticipated level of consumption. The allowance of 300,000 tons was made (1) to compensate for sugar constructively delivered within 1954 quotas for consumption in 1955; (2) to stabilize prices at levels that would maintain the domestic industry; and (3) to allow for a margin of error in the projection of anticipated consumption. The quota supply of 8,200,000 tons remained unchanged as of June 30, 1955, but was increased to 8,300,000 tons on July 22, 1955, and to 8,400,000 tons on October 8, 1955.

Sugar quotas for the calendar years 1954 and 1955 are shown in the following table:

Production Area	1954 Quotas Final		1955 Quotas
	Basic	Adjusted	as of Oct. 8, 1955
	----- short tons, raw value -----		
Domestic beet sugar	1,800,000	1,803,099	1,800,000
Mainland cane sugar	500,000	500,851	500,000
Hawaii	1,052,000	1,043,000	1,052,000
Puerto Rico	1,080,000	1,081,859	1,080,000
Virgin Islands	12,000	10,500	12,000
Philippines	974,000	974,000	977,000
Cuba	2,718,720	2,723,401	2,859,840
Other foreign countries ..	113,280	113,280	119,160
Total	8,250,000	8,250,000	8,400,000

Marketing Allotments

Sec. 205(a) of the Act requires that the quota for any area shall be allotted to persons who market or import sugar when necessary to insure orderly marketing and to afford interested persons an equitable opportunity to market sugar within the quota limitations.

In the domestic beet and mainland cane sugar areas and Puerto Rico the level of available supplies on January 1, 1955, together with 1955 crop prospects, were such that the Secretary found that allotment of the 1955 quotas for those areas would be necessary to prevent disorderly marketing and to assure all persons who market sugar an equitable opportunity to do so.

By June 30, 1955, allotment orders regulating the marketings within the quotas for the mainland cane and domestic beet sugar areas and Puerto Rico were in effect. A preliminary allotment order was in effect for the mainland cane area. It allotted 80 percent of the area's 1955 quota on the basis of 1954 allotments. The allotment order for the domestic beet sugar area was on a final basis while the order for Puerto Rico was subject to revision for the purpose of substituting final 1954 marketings, January 1, 1955 inventory and 1954-55 crop production data in the basis of the allotment. The allotment orders for Puerto Rico and the mainland cane area were finalized in August and September 1955, respectively.

Payments to Producers

Payments are made to domestic producers of sugar beets and sugarcane who comply with certain requirements with respect to child labor, wage rates, proportionate shares, and in the case of processor-producers, the payment of fair and reasonable prices for sugar beets or sugarcane purchased from other producers.

Pursuant to Title III of the Sugar Act of 1948, conditional payments totaling \$67,708,719 were made to about 71,201 sugar beet and sugarcane producers in 23 States and in Hawaii, Puerto Rico, and the Virgin Islands with respect to the production for the 1954 crop year.

Payments Under the Sugar Act of 1948 and Number of Payees, in the Domestic Sugar Producing Areas, Crop Years 1953 and 1954 1/

Payment and Payee	Domestic : Mainland :		Hawaii :		Puerto Rico :		Virgin :		Total
	Beet Sugar :	Cane Sugar :	Area :	Area :	Dollars :	Dollars :	2/ :	Islands :	
	Dollars :	Dollars :							Dollars
Payments on sugar beets or sugarcane:									
1953	29,451,787:	8,602,393:			10,155,590:	16,710,000:	170,844:		65,090,614
1954	31,738,500:	8,010,000:			9,932,469:	16,350,000:	127,750:		66,158,719
Abandonment and deficiency payments:									
1953	527,000:	6,000:			---	---	---		533,000
1954	1,500,000:	50,000:			---	---	---		1,550,000
Total payments:									
1953	29,978,787:	8,608,393:			10,155,590:	16,710,000:	170,844:		65,623,614
1954	33,238,500:	8,060,000:			9,932,469:	16,350,000:	127,750:		67,708,719
Payees:	Number :	Number :	Number :	Number :	Number :	Number :	Number :	Number :	
1953	38,227:	7,565:			1,177:	20,000:	510:		67,479
1954	42,000:	7,600:			1,067:	20,100:	434:		71,201

1/ Preliminary. 2/ 1953-54 and 1954-55 crops.

Excise and Import Taxes

The Act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for direct consumption. The following table shows the taxes collected compared with obligations under the sugar program:

Sugar Tax Collections Compared with Obligations Under the Sugar Program

Fiscal Year	Sugar Tax Collections		Total	Total Obligations
	Excise Tax	Import Tax		
1938	30,569,130	2,812,488	33,381,618	522,080,599
1939	65,414,058	3,494,636	68,908,694	52,460,654
1940	68,145,358	5,461,115	73,606,473	47,212,400
1941	74,834,839	4,876,470	79,711,309	47,677,678
1942	68,229,803	3,778,003	72,007,806	47,869,513
1943	53,551,777	3,383,987	56,935,764	55,638,374
1944	68,788,910	3,906,567	72,695,477	54,818,026
1945	73,293,966	3,262,197	76,556,163	52,361,159
1946	56,731,986	3,059,490	59,791,476	48,418,425
1947	59,151,922	4,755,224	63,907,146	53,343,569
1948	71,246,834	3,275,892	74,522,726	54,796,514
1949	76,174,356	4,139,161	80,313,517	71,880,810
1950	71,188,029	3,899,072	75,087,101	59,935,494
1951	80,191,884	3,468,405	83,660,289	63,684,105
1952	78,473,191	3,603,936	82,077,127	69,813,289
1953	78,129,860	4,866,916	82,996,776	64,974,434
1954	73,885,000	6,312,761	80,197,761	59,645,000
1955	78,512,000	3,989,196	82,501,196	59,600,000
Subtotal:	1,226,512,903	72,345,516	1,298,858,419	986,210,043
1956 (Est.):	77,000,000	6,000,000	83,000,000	59,600,000
1957 (Est.):	77,500,000	6,000,000	83,500,000	67,600,000
Total	1,381,012,903	84,345,516	1,465,358,419	1,113,410,043

Fair Wage and Price Determinations

Among conditions which producers of sugarcane and sugar beets must meet to be eligible for Sugar Act payments is the payment of fair and reasonable wage rates to persons employed on the farm in the production, cultivation and harvesting of sugarcane or sugar beets, and for producers who are also processors of sugarcane or sugar beets, the payment of fair and reasonable prices for sugarcane and sugar beets purchased from other producers. The Sugar Act requires that determinations of fair and reasonable wages and prices shall be made by the Secretary after holding public hearings and after making appropriate investigations. Determinations of wages and prices are issued annually for the following domestic areas: sugar beet, mainland cane (Louisiana and Florida), Puerto Rico and the Virgin Islands. For Hawaii a fair price determination is issued annually but the wage determination for such area was placed on a continuing basis in 1954.

Under the determinations issued during the 1955 fiscal year, wage rates continued unchanged for the Virgin Islands and the mainland cane area. For Puerto Rico, the wage rate for gravity irrigators was increased 25 cents per 8-hour day and the determination defined both gravity irrigators and field flooders to distinguish between the two operations.

In the wage determination applicable to California and contiguous areas the job classification of "gleaning" was specified in addition to the usual harvesting operations of pulling, topping, and loading. For the remainder of the sugar beet area, no changes were made in the wage rates.

During the fiscal year 1955, fair price determinations were issued for all domestic sugar-producing areas. In areas other than Hawaii, minor changes were made, such as revisions in the basis for molasses payments, changes in raw sugar pricing periods, cane or beet transportation costs and other items. None of these changes materially affected the basic sharing relationships between producers and processors. The Hawaiian determination continued the pricing provisions in effect for the previous crop, except that at one plantation the processor and producer were permitted to negotiate a price for sugarcane which was damaged as a result of volcanic eruptions and to agree upon certain charges payable by producers for services rendered by the processor. In addition, at another plantation a new independent grower agreement was approved as negotiated by the processor and producers.

Proportionate Share Determinations

Proportionate shares for sugar beet and sugarcane farms must be established for each crop since the marketing of sugar beets or sugarcane within such shares constitute one of the conditions for payment. Restrictive proportionate shares are required in any area when the indicated production will be greater than the quantities needed to fill the quota and provide a normal carryover inventory for such area.

Due to the levels of production for the previous crops and effective inventories of sugar, determinations were issued on August 26 and October 25, 1954, which continued restrictive proportionate shares on the 1955 and 1954-55 crops, respectively, for the mainland cane area and Puerto Rico. For each of these areas, the production objective was established at a level which it was estimated would meet quota and carryover requirements.

Excess quota production from both the 1953 and 1954 crops in the domestic beet sugar area made it necessary to apply acreage restrictions on the area's 1955 crop (the first beet crop so affected since 1941). The national acreage objective established for the area was 850,000 acres which was expected to yield a quantity of sugar approximating the area's quota. This action was taken in a determination issued November 4, 1954. In that determination responsibility was assigned to State ASC Committees for the establishment of individual farm proportionate shares from State acreage allocations under specified standards and procedure.

On July 14, 1954, a determination was issued, applicable to the 1954 and subsequent crops in the Virgin Islands, which established the proportionate share for each farm in the area at the actual level of production. In a determination issued on June 23, 1955, applicable to the 1955 and subsequent crops, proportionate shares were established for farms in Hawaii also at the actual level of production. However, the proportionate share for the farm of any processor-producer is conditioned upon the maintenance of the existing balance between the acreage of sugarcane cultivated by the processor-producers and the acreage cultivated by independent growers.

Special Studies and Surveys

Data on costs, returns, profits, and related data for producing sugar beets during 1951 and for processing sugar beets during the years 1948-1951, were analyzed and the administrative report on this study was nearing completion at the end of the fiscal year. Field work for a similar study on the production and processing of sugarcane in Puerto Rico during the years 1951 through 1954 was carried out, and field work for a similar study in Louisiana covering the years 1952 through 1954, were begun. Field studies dealing with particular aspects of wage problems were conducted in Louisiana in November 1954 and in Puerto Rico in March 1955. Informal surveys were also made prior to public hearings in each of the five domestic producing areas.

International Sugar Agreement

Fiscal year 1955 was the first year following the ratification of the Agreement by the President of the United States on April 29, 1954. Many problems regarding world sugar requirements, export quotas, trade relationships and interpretation of the Agreement required analysis. Three meetings of the Council were held during the fiscal year. The Department's work enabled this Government to make a significant contribution to the work of the International Sugar Council.

Extension of Sugar Act

The present Sugar Act expires December 31, 1956, and the Department has developed information for, and participated in, the hearings held by the House Agriculture Committee and the Senate Committee on Finance in connection with the amendment and extension of the Sugar Act Program. The Senate Committee on Finance considered the bill (HR 7030) on August 1, 1955 at which time Department officials testified in support of the legislation. The bill was reported to the Senate on August 1. The bill was considered on August 2 but final action was postponed until the second session of the 84th Congress.

Program Administration:

The Sugar Program is administered in the counties by elected county and community committeemen and in the States by State Agricultural Stabilization and Conservation Committees composed of resident farmers appointed by the Secretary.

Administrative expense allocations to States are based on workload data for the previous year adjusted to reflect any contemplated changes in program operations.

Workload Data

The following tables set forth the workload data in connection with the 1955 crop (fiscal year 1956).

Sugar Act Program (Beet)
Workload Data for the 1955 Crop

State	Number of Counties	Number of Farms	Estimated planted acreage
Illinois	4	163	1,820
Indiana	1	7	40
Iowa	4	21	884
Kentucky	-	-	-
Michigan	31	4,240	65,614
Ohio	19	1,398	19,782
Wisconsin	24	1,129	7,200
Midwest Area ...	83	6,958	95,340
California	31	2,100	171,742
Colorado	25	4,980	124,284
Kansas	7	88	6,900
New Mexico	1	14	770
Oklahoma	-	-	-
Texas	5	28	1,576
Utah	13	2,898	30,291
Southwest Area ..	82	10,108	335,563
Idaho	18	4,395	79,715
Minnesota	21	947	66,013
Montana	22	1,459	50,680
Nebraska	21	1,995	57,613
North Dakota	8	564	34,600
Oregon	3	607	17,685
South Dakota	4	175	5,365
Washington	7	1,123	30,795
Wyoming	11	1,115	34,545
Total	115	12,380	377,011
Total States	280	29,446	807,914

Sugar Act Program (Cane)
Workload Data for the 1955 Crop

State or Area	: Number : of : Counties	: Number : of : mill : areas	: Plantation : Mill : Districts	: Number : of : farms	: Estimated : planted : acreage	: Harvested : Acres
	:	:	:	:	: *	:
Florida	4	-	-	25	37,000	-
Louisiana	20	-	-	3,850	244,000	-
Puerto Rico ...	-	33	-	20,000	-	370,000
Hawaii	-	-	28	800	-	110,000
Virgin Islands :	-	1	-	450	-	5,500
Total	24	34	28	25,125	281,000	485,500

* Not available for Puerto Rico, Hawaii and the Virgin Islands.

NATIONAL WOOL ACT

Purpose Statement

The principal objectives of the National Wool Act of 1954 (Public Law 690, approved August 28, 1954) (7 U.S.C. 1781-1787) are to provide for the national security and promote the general economic welfare by encouraging the domestic production of approximately three hundred million pounds of shorn wool, grease basis, at prices fair to both producers and consumers, in a manner which will have the least adverse effects upon foreign trade.

Method and Support Level - To aid in carrying out these objectives, the Act authorizes an incentive payment program which provides a support level for shorn wool not in excess of 110 percent of parity. The support level for mohair may vary as much as 15 percent above or below the comparable percent-of-parity shorn wool incentive level.

For wool and mohair shorn on or after January 1, 1956 and marketed on or after April 1, 1956, but not later than March 31, 1957, the announced support price for shorn wool is 62 cents per pound, grease basis, and 70 cents per pound for mohair. These incentive prices represent 106 percent and 92 percent of the August 15, 1955 parity prices for wool and mohair, respectively. The level of support for pulled wool will be so related to the shorn wool incentive price as to maintain normal marketing practices.

If average prices received by producers for wool and mohair fall below the incentive price levels announced, payments will be made to producers. These payments will be based on the percentage needed, in the case of each commodity, to bring the national average price received by producers up to the incentive price. The total of all such payments is limited to 70% of the accumulated totals, as of the date of such payments, of gross receipts from specific duties collected on and after January 1953 on wool and wool manufactures.

Referendum - In August 1955, in a referendum called by the Secretary of Agriculture as provided in Section 708 of the National Wool Act, considerably more than the required two-thirds of producers expressed approval of an agreement previously entered into by the Secretary with the American Sheep Producers Council, Incorporated, for the conduct of an extensive advertising, sales promotion and market development program for wool, mohair, sheep, goats or the products thereof. The expense of this program will be financed from deductions from the incentive payments due producers in the 1955 marketing year. The program is designed to improve and expand the market for the industry's products and ultimately to reduce the extent of Government price assistance required.

Financing - Capital funds of the Commodity Credit Corporation are used for incentive payments and other program costs. Section 705 of the National Wool Act provides for reimbursing the Corporation for costs of the program by appropriating not to exceed 70% of specific duties collected on wool and wool manufactures in the calendar year preceding the beginning of each fiscal year starting with the calendar year 1954.

	<u>Estimated Available, 1956</u>	<u>Budget Estimate, 1957</u>
Appropriated funds (permanent appropriation)	\$187,684	\$25,390,728

(c) National Wool Act

Appropriation, 1956	\$187,684
Budget Estimate, 1957	<u>25,390,728</u>
Increase (reimbursement to CCC for estimated costs to be incurred in the fiscal year 1956)	<u><u>25,203,044</u></u>

PROJECT STATEMENT

Project	1955	1956	Increase	1957 (estimated)
Reimbursement to Commodity Credit Corporation for expenditures under National Wool Act (appropriation or estimate)	- -	\$187,684	25,203,044	\$25,390,728

INCREASE

Program costs under the National Wool Act of \$187,684 in fiscal year 1955 were limited to the incidental costs of planning, formulating and establishing regulations, procedures and other administrative mechanisms necessary for the conduct of the program authorized by the Act.

In the fiscal year 1956 it is anticipated that program operations will develop to the maximum volume contemplated by the Act and will result in average incentive payments of 19.1 cents per pound on 293 million pounds of wool. The support price for shorn wool is 62 cents per pound, representing 106 percent of parity. The estimated average payment of 20 cents on shorn wool is the difference between the support price and the average price of 42 cents per pound estimated to be received by farmers during the fiscal year 1956. An incentive payment of 20 cents per pound on 228 million pounds of shorn wool (\$45,600,000) plus the average incentive payment of 16 cents per pound on 65 million pounds of wool (\$10,400,000) from 13 million hundredweight of eligible lambs and yearlings expected to be marketed during the fiscal year, results in total incentive payments of \$56,000,000. Wool on lambs and yearlings is supported on a basis comparable to that for shorn wool. Administrative and interest costs, are expected to bring the total costs of the wool program for the year to \$58,038,069. Of this amount, the basic statute appropriates only \$25,390,728 (70 percent of \$36,272,468 in specific duties estimated to be collected in the calendar year 1955) to reimburse the Commodity Credit Corporation.

The following table shows, by major activity, Commodity Credit Corporation's costs for fiscal years 1955, 1956 and 1957, estimated reimbursements during the year, and unrecovered balances at the close of each year.

	Fiscal Year 1955	Fiscal Year 1956	Fiscal Year 1957
Volume of Marketings (pounds)	- -	293,000,000	293,000,000
Incentive payments (per pound)	- -	19.1¢	19.1¢
Incentive payments	- -	\$56,000,000	\$56,000,000
Administrative Expenses	\$187,432	1,738,564	1,791,900
Interest expense	252	299,505	1,407,771
Total	187,684	58,038,069	59,199,671
Unrecovered Costs -			
Prior Years	- -	187,684	58,038,069
Total cumulative unrecovered costs	187,684	58,225,753	117,237,740
Appropriation (limited to 70 percent of duties collected on wool during preceding calendar year)	- -	187,684	25,390,728
Unrecovered Balance -			
End of Year	187,684	58,038,069	91,847,012

The unrecovered balance will remain on the books of the Corporation as a receivable until subsequent appropriations become available. At the current rate of duties collected it is anticipated that full reimbursement for costs during the fiscal year 1956 will not be effected until appropriations for the fiscal year 1959 become available.

STATUS OF PROGRAM

Commodity Credit Corporation's operations in fiscal year 1955 under the National Wool Act were confined to the development and establishment of the regulations and procedural devices necessary for the conduct of the incentive payment program.

Operations in fiscal year 1956 are geared to accomplish incentive payments to producers as promptly as possible after a determination of the national average prices received by producers for the marketing year ending March 31, 1956, has been made. These operations are carried on through all ASC State and Insular Offices and in approximately 3,000 counties. The announced support price of 62¢ for wool in the marketing year ending March 31, 1956, is expected to result in incentive payments to producers of approximately 19.1¢ per pound on 293 million pounds.

In August 1955, in a referendum called by the Secretary of Agriculture as provided in Section 708 of the National Wool Act, considerably more than the required two-thirds of producers expressed approval of an agreement previously entered into by the Secretary with the American Sheep Producers Council, Incorporated, for the conduct of an extensive advertising, sales promotion and market development program for wool, mohair, sheep, goats or the products thereof. The expense of this program will be financed from deductions from the incentive payments due producers in each marketing year. The program is designed to improve and expand the market for the industry's products and ultimately to reduce the extent of Government price assistance required.

(d) Administrative Expenses, Section 392,
Agricultural Adjustment Act of 1938

This appropriation account for National and State operating expenses was established pursuant to section 392 of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1281-1407). There are transferred into this appropriation account, amounts estimated to be required for National office direction and for carrying out, or cooperating in carrying out, various programs assigned to the State Agricultural Stabilization and Conservation Offices.

The State Committees, appointed pursuant to the provisions of section 8(b) of the Soil Conservation and Domestic Allotment Act, are in general administrative charge of all programs in their respective States which are assigned to them through the Commodity Stabilization Service. Within the framework of the national policy, they determine State policies and direct the adaptation of the national programs to the State.

The amounts transferred into this appropriation account are within the limitation for administrative expenses established under the respective appropriations from which such transfers are made. The justification of the increases and decreases is contained in the statements for the various appropriation items involved.

Transfers, 1956, as shown below and base for 1957	\$16,435,185
Transfers, 1957, as shown below	<u>16,665,565</u>
Increase	<u>+230,380</u>

STATEMENT OF SOURCES, PURPOSES, AND AMOUNTS OF FUNDS TRANSFERRED
(As shown in Budget Schedules)

Purpose for which funds are : transferred into this : account :	1955 :	1956 : (estimated):	1957 : (estimated):	: Increase or Decrease
<u>Agricultural Conservation</u> :	:	:	:	:
<u>Program:</u> :	:	:	:	:
For administration of : Agricultural Conservation: :	:	:	:	:
Program	\$3,680,443:	\$4,132,315:	\$4,344,315:	+\$212,000
<u>Agricultural Adjustment</u> :	:	:	:	:
<u>Programs:</u> :	:	:	:	:
For administration of : acreage allotment and : marketing quota programs :	5,580,359:	6,343,100:	6,571,100:	+228,000
<u>Sugar Act Program:</u> :	:	:	:	:
For administration of : sugar payment program :	1,125,746:	1,160,320:	1,255,000:	+94,680

Purpose for which funds are: transferred into this account	1955	1956 (estimated)	1957 (estimated)	Increase or Decrease
Disaster Loans, etc., Re- volving Fund, Department of: Agriculture:				
For activities in connec- tion with accepting applications for feed, issuing purchase orders to farmers, and certifi- cates to dealers in designated disaster areas:	\$146,000:	\$215,000:	- -	-\$215,000
Other:				
For services in connection with price support pro- grams and other miscellan- eous programs	3,593,593:	4,584,450:	4,495,150:	-89,300
Total available for obliga- tion	14,126,141:	16,435,185:	16,665,565:	+230,380
Unobligated balance, estimated savings	241,015:			
Total obligations a/	13,885,126:	16,435,185:	16,665,565:	+230,380
a/ Includes allotments to other agencies as follows:				

	1955	1956 (estimated)	1957 (estimated)
Extension Service	\$800	\$800	\$800
Agricultural Marketing Service	221,997	237,100	237,100

WORK PERFORMED WITH FUNDS OBLIGATED IN 1955

Agricultural Conservation Program

Applications processed	1,214,133
Total farms	5,466,086
Participating farms	1,095,630
Counties in program	3,067

Agricultural Adjustment Programs (Acreage Allotments and Marketing Quotas)

	Allotments Established	Allotted Acreage	Counties in Program
Tobacco	615,424	1,518,671	953
Peanuts	127,063	1,730,112	508
Wheat	1,492,000	55,000,000	2,481
Cotton	1,009,222	18,159,362	1,117
Corn	1,800,000	49,842,697	805
Rice	20,000	1,927,909	130

Sugar Program

Number of farms	51,320
Number of acres	1,259,000
Number of counties	308

Price Support

Number of warehouse-stored loans	546,963
Number of farm-stored loans	411,191
Number of counties having completed loans	2,333
Number of lending agencies (approved)	6,050
Number of warehouse inspections and reinspections	10,080
Number of reinspections of farm-stored commodities	1,398,056
Number of loans and purchase agreements under which CCC acquired the commodity	1,024,303

Grain Storage Structure Program

Number of storage-structure sites	3,995
Number of storage structures	191,453

National Wool Act Payments Program

Number of farms with sheep and lambs	320,314
Number of counties with sheep	2,975

1954 Emergency Feed Program

Number of counties	954
Number of purchase orders issued	1,170,882
Number of dealers' certificates issued	183,854

(e) Local Administration, Section 388,
Agricultural Adjustment Act of 1938

This appropriation account for Agricultural Stabilization and Conservation county offices was established pursuant to sections 392(a) and 388(b) of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1281-1407). There are transferred into this appropriation account amounts estimated to be required for carrying out or cooperating in carrying out various programs assigned to the ASC county offices.

The ASC county and community committees are responsible for the local administration of programs dealing directly with farmers. The elected ASC county committee is in charge of the county office.

The amounts transferred into this appropriation account are within the limitation for administrative expenses established under the respective appropriations from which such transfers are made. The justification of the increases and decreases is contained in the statements for the various appropriation items involved.

Transfers, 1956, as shown below and base for 1957	\$101,502,588
Transfers, 1957, as shown below	106,398,500
Increase	<u>+4,895,912</u>

STATEMENT OF SOURCES, PURPOSES, AND AMOUNTS OF FUNDS TRANSFERRED
(As shown in Budget Schedule)

Purpose for which funds are transferred into this account	1955	1956 (estimated)	1957 (estimated)	Increase or Decrease
<u>Agricultural Conservation Program:</u>				
For administration of Agricultural Conservation Program	\$18,378,200	\$18,378,200	\$19,816,200	+\$1,438,000
<u>Agricultural Adjustment Programs:</u>				
For administration of acreage allotment and marketing quota programs	34,116,000	32,501,900	34,586,900	+2,085,000
<u>Sugar Act Program:</u>				
For administration of sugar payment program	386,200	480,280	618,000	+137,720

Purpose for which funds are transferred into this account	1955	1956 (estimated)	1957 (estimated)	Increase or Decrease
Disaster Loans, etc.,				
Revolving Fund, Depart- ment of Agriculture:				
For activities in con- nection with accept- ing applications for feed, issuing purchase orders to farmers, and certificates to dealers, in desig- nated disaster areas.	\$969,000	\$1,028,808	- -	-1,028,808
Other:				
For services in connec- tion with price support programs and other miscellaneous services:	45,717,225	49,113,400	51,377,400	+2,264,000
Total available for obligation	a/ 99,566,625	a/ 101,502,588	a/ 106,398,500	+4,895,912
Unobligated balance	b/ 7,014,050	- -	- -	- -
Obligations incurred ...	92,552,575	101,502,588	106,398,500	+4,895,912

a/ Includes allotment to the Extension Service of \$4,500 in fiscal years 1955 and 1956, and \$6,700 in the fiscal year 1957.

b/ Includes \$6,327,159 for return to advancing appropriations and accounts.

Funds from this appropriation account are advanced to the ASC county committees each month or quarter on the basis of their estimate of requirements for the period less any unobligated balances on hand. These advances are deposited in the county committee bank accounts and used to pay the expenses of the committees. The estimate for the following month or quarter is reduced by the amount not obligated in the period just ended. Unobligated balances in the bank accounts at the end of a fiscal year are used for expenses of the next succeeding year. Year-end balances are kept as low as possible and as of the end of the last four fiscal years were as follows:

1952, \$807,511; 1953, \$1,211,860; 1954, \$3,220,994; 1955, \$2,689,006

The ASC county committees perform certain functions for the Commodity Credit Corporation in connection with the CCC grain storage structure program and other CCC programs. This work which includes erection of storage structures, handling and maintenance of grain, maintenance and operation of sites and structures, etc., is paid for from the county committee bank accounts. Funds for these purposes are transferred into the account from the Commodity Credit Corporation corporate funds. The CCC funds in the account are then advanced to the ASC county committees in the same manner as other funds. The amount of advances in the fiscal year 1955 was \$40,123,429 and is estimated at \$42,334,000 for the fiscal year 1956 and \$44,150,000 for the fiscal year 1957.

WORK PERFORMED WITH FUNDS OBLIGATED IN 1955

Agricultural Conservation Program

Applications processed	1,214,133
Total farms	5,466,086
Participating farms	1,095,630
Counties in program	3,067

Agricultural Adjustment Programs (Acreage Allotments and Marketing Quotas)

	<u>Allotments Established</u>	<u>Allotted Acreage</u>	<u>Counties in Program</u>
Tobacco	615,424	1,518,671	953
Peanuts	127,063	1,730,112	508
Wheat	1,492,000	55,000,000	2,481
Cotton	1,009,222	18,159,362	1,117
Corn	1,800,000	49,842,697	805
Rice	20,000	1,927,909	130

Sugar Program

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Number of counties	308

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Number of lending agencies (approved)	6,050
Number of warehouse inspections and reinspections ...	10,080
Number of reinspections of farm-stored commodities ..	1,398,056
Number of loans and purchase agreements under which CCC acquired the commodity	1,024,303

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Number of storage structures	191,453

National Wool Act Payments Program

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Number of counties with sheep	2,975

1954 Emergency Feed Program

Number of counties	954
Number of purchase orders issued	1,170,882
Number of dealers' certificates issued	183,854

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955, were actually received or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amount to be received in most cases.)

Item	Obligations: 1955	Estimated Obligations: 1956	Estimated Obligations: 1957
Allotment from:			
Disaster Loans, etc., Revolving Fund,			
Agriculture:			
For emergency assistance in furnishing feed to farmers and stockmen in disaster areas	\$ 7,611,886	\$ 1,316,059	- -
Allocations and Working Funds (Advances from other agencies):			
Department of Agriculture:			
Agricultural Marketing Service:			
Removal of surplus agricultural commodities:			
Direct purchases	23,991,243	207,745,000	265,509,400
Encouragement of exportation	4,617,303	800,000	- -
Diversion to by-products and new uses:	411,365	15,059,400	5,000,000
Surplus removal operating expenses..	399,656	985,000	1,350,000
Total	29,419,567	224,589,400	271,859,400
School Lunch Program:			
Food assistance:			
Commodity procurement (sec. 6).....	12,835,561	14,930,000	14,930,000
Operating expenses.....	83,604	116,000	116,000
Total	12,919,165	15,046,000	15,046,000
Total, Agricultural Marketing Service,.....	42,338,732	239,635,400	286,905,400
Commodity Credit Corporation (Administrative expense limitation):			
Grading of wool.....	156,733	- -	- -
Total, Department of Agriculture	42,495,465	239,635,400	286,905,400
Department of the Air Force:			
For indexing and preparation of aerial photographs for mosaic and charting purposes.....	193,199	85,000	- -

(Continued on next page)

Item	Obligations: 1955	Estimated Obligations: 1956	Estimated Obligations: 1957
International Cooperation Administration:			
For providing or procuring commodities			
for other agencies for distribution to			
foreign claimants.....	\$24,758,442	\$24,800,000	- -
For expenses in connection with train-			
ing and technical assistance activities:	1,676	- -	- -
Total.....	24,760,118	24,800,000	- -
Federal Civil Defense Administration:			
For development of plans for maintaining:			
food supplies under defense emergency			
conditions.....	- -	- -	\$40,000
Total, Allocations and Working Funds	67,448,782	264,520,400	286,945,400
Trust Fund:			
Miscellaneous Contributed Funds, Depart-			
ment of Agriculture - For aerial survey			
and preparation of photographs and charts:	37,740	35,000	35,000
Obligations Under Reimbursements from			
Governmental and Other Sources:			
Agricultural Conservation Program:			
For sale of aerial photographs.....	745,387	444,000	444,000
Commodity Credit Corporation			
(administrative expense limitation):			
Supply and foreign purchases program	570,019	428,200	230,000
International wheat agreement.....	193,936	235,000	235,000
National Wool Act.....	55,339	523,900	523,900
Miscellaneous.....	12,232	3,993	- -
Total.....	831,526	1,191,093	988,900
Total, reimbursements.....	1,576,913	1,635,093	1,432,900
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND			
OTHER FUNDS TO COMMODITY STABILIZATION			
SERVICE.....	76,675,321	267,506,552	288,413,300

ADMINISTRATION OF PRICE ADJUSTMENT ACT OF 1938

The sum of \$212,000,000 was appropriated by the Price Adjustment Act of 1938, approved June 21, 1938 (52 Stat. 819-820), to enable the Secretary of Agriculture to make parity payments to producers of wheat, cotton, corn (in commercial corn producing area), rice and tobacco. Such sum was to be available until expended. In fiscal year 1956, \$1,140.00 was transferred to the appropriation "Parity Payments, Department of Agriculture" and then to the surplus fund of the Treasury. All subsequent collections will be deposited directly to the surplus fund of the Treasury.

PASSENGER MOTOR VEHICLES

The 1957 estimates provide for the replacement of 3 passenger carrying vehicles, including 1 station wagon, out of a total of 9 vehicles.

Passenger vehicles are replaced on the basis of justification with respect to the mileage and age standards prescribed by the General Services Administration which provide that vehicles to be replaced must be at least six years or more of age or driven 60,000 miles or more and other factors. These replacements are necessary to provide essential service under Commodity Stabilization and Commodity Credit Corporation programs. The vehicles are used for travel to places which are in most cases not accessible by common carrier, such as travel to railroad yards, piers, grain elevators, warehouses and farms, except for one car in Washington, D. C., which is used by the Administrator and other staff officials.

The Commodity Stabilization Service requires monthly operating reports, makes periodic surveys and analyses to determine the extent to which vehicles are being used and their condition. The vehicles are assigned to those field offices which require the use of cars in the efficient operation of their programs. Vehicles which are found to be in excess of the needs of an office are reassigned to other locations where the need is greater, or declared excess.

The age and mileage data for the passenger motor vehicles on hand as of June 30, 1955, follows:

<u>Age Data</u>		<u>Mileage Data</u>	
<u>Age-Year Model</u>	<u>Number of Vehicles</u>	<u>Lifetime Mileage</u>	<u>Number of Vehicles</u>
1953	1	10,000 - 20,000	1
1951	2	20,000 - 30,000	2
1950	2	40,000 - 50,000	2
		50,000 - 60,000	-
		60,000 - 70,000	2
1949	2	70,000 & over	2
1948	1		<u>2</u>
1946 & older	<u>1</u>	Total	<u>9</u>
Total	<u>9</u>		

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly owned Government Corporation created February 16, 1938, (7 U.S.C. 1501) to carry out the Federal Crop Insurance Act. The purpose of this act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance.

Crop insurance offered to agricultural producers by the Corporation provides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not indemnify producers for losses resulting from negligence or failure to observe good farming practices.

In accordance with the established policy of limited operations on an experimental basis, the 1956 crop insurance program will operate about 950 county programs, furnishing insurance coverage of approximately 385 million dollars on wheat, cotton, flax, corn, tobacco, beans, citrus, multiple crops, soybeans, and barley. It is estimated that 400,000 contracts will be in effect for the 1956 crop year, an increase of 76,700 over 1955.

Summary of Insurance Operations and Changes in Capital

	<u>Fiscal Years</u>		
	<u>1955</u>	<u>1956</u>	<u>1957</u>
Net capital at beginning of year	\$24,869,227	\$19,267,943	\$12,501,643
Additions to capital during the year:			
Insurance premiums (net)	22,652,336	22,255,500	26,023,000
Interest and other income	109,560	100,000	100,000
Total capital available for insurance operations during year.....	<u>47,631,123</u>	<u>41,623,443</u>	<u>38,624,643</u>
Deductions from capital during the year:			
Insurance indemnities	28,031,838	26,283,200	20,102,000
Loss adjustment and inspection costs.....	104,342	1,116,000	1,319,000
Administrative expenses charged to program operations.....	--	1,500,000	2,000,000
Provision for estimated bad debts	<u>227,000</u>	<u>222,600</u>	<u>260,200</u>
Total deductions from capital	<u>28,363,180</u>	<u>29,121,800</u>	<u>23,681,200</u>
Net capital at end of year	<u>19,267,943</u>	<u>12,501,643</u>	<u>14,943,443</u>

The crop insurance programs are developed and analysed in the Washington headquarters office and are administered in the field by 20 FCIC state or area offices. Sales and servicing of contracts at the county level is performed by private agents under contractual agreements with the Corporation. Detailed program accounting and statistical functions are performed by a Branch office in Chicago. As of November 30, 1955, the Corporation employed 511 full-time employees, 102 of whom were in Washington and the balance in the field, and 597 part-time employees, of whom 2 were in Washington and the balance in the field.

	Estimated Available, <u>1956</u>	Budget Estimate, <u>1957</u>
Appropriated funds (Operating Expenses)	\$6,209,985	\$6,210,000

Operating and Administrative Expenses

	<u>Appropriation</u>	<u>Administrative Expenses Payable From Premium Income</u>	<u>Total</u>
Appropriation Act, 1956	\$6,000,000	\$1,500,000	\$7,500,000
Proposed supplemental, 1956, for pay act costs	214,200	--	214,200
Activities transferred in the 1957 estimates to "Salaries and Expenses, Office of the Secretary of Agriculture" for personnel investigation work	-4,215	--	-4,215
Base for 1957	6,209,985	1,500,000	7,709,985
Budget Estimate, 1957	6,210,000	2,000,000	8,210,000
Increase	+15	+500,000	+500,015

Note: As explained in more detail below, the 1957 Budget includes a proposal that not more than \$2,000,000 of the operating and administrative expenses of the Corporation may be paid from premium income. For clarification and completeness, the following schedules and justification explain the total estimate of \$8,210,000 required for administrative expenses, consisting of \$6,210,000 direct appropriation and \$2,000,000 payable from premium income.

SUMMARY OF INCREASES, 1957

Increase in underwriting and actuarial analysis costs	+258,015
Increase in contract sales and servicing costs	+169,000
Increase in crop inspections and loss adjustment costs	+73,000

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase or Decrease	1957 (estimated)
1. Underwriting and actuarial analysis.....	\$ 465,276	\$ 597,985	+\$258,015(1)	\$ 856,000
2. Contract sales and servicing.....	4,232,671	6,328,000	+169,000(2)	6,497,000
3. Crop inspections and loss adjustments.....	1,298,124	784,000	+73,000(3)	857,000
Unobligated balance.....	1,627	.....	.....	.....
Total pay act costs (P.L. 94)...	72,3007	214,2007	+12,0007	226,2007
Total available or estimate...	5,997,698	7,709,985	+500,015	8,210,000
Deduct: Obligations payable from premium income .....	.....	-1,500,000	-500,000	-2,000,000
Total appropriation	5,997,698	6,209,985	+15	6,210,000
Activities transferred in the 1957 estimates to "Salaries and Expenses, Office of the Secretary of Agriculture" ...	+2,302	+4,215	.....	.....
Proposed supplemental due to pay increases .....	.....	-214,200	.....	.....
Total appropriation or estimate:	6,000,000	6,000,000	.....	.....

General

The budgeted workload for 1957 reflects a slight increase over that for 1956. The 1957 budget estimate has been prepared on the basis that the additional costs to be incurred because of the extended scope of operations will be paid from premium income. Therefore, no change in appropriated funds for administrative and operating expenses is proposed, except for an increase of \$15 to round off the appropriation estimate.

In 1957 efforts will continue to be concentrated toward the development of a sounder program. The Corporation's unfavorable loss experience since 1953, resulting from drought and spring wheat losses due to rust, has materially increased the need for more aggressive action in this direction. Major emphasis will be placed on the development of actuarial structures consistent with the risk to be insured, both on a county and individual basis. Specific attention will also be given to the writing of new business in order to improve the quality of program participation with respect to premium income, diversity of coverage, and caliber of risk.

INCREASES

(1) Increase of \$258,015 under the project "Underwriting and actuarial analysis" for refinement of rates and coverages and to develop actuarial information for 85 new county programs.

The establishment of rates and coverages is one of the most important phases of crop insurance work. They must be set at a level that will produce sufficient premium income to offset losses over a period of time, and also be maintained within a range that will appeal to the farmer's concept of economy.

Field underwriting: The field underwriters develop the actuarial structure for each county in which insurance is offered. There are six area offices, with a chief underwriter in charge of each office and responsible for the work in a specific insurance area, usually consisting of about 150 counties in which three to six different crop programs are in effect.

Field underwriting work is divided into two categories: (a) the review of the actuarial structure in counties where programs are already operating, and (b) the establishment of the actuarial bases for insurance in new counties.

Continued review of rates and coverages: The establishment and refinement of actuarial rates is a continuous process. The Corporation's underwriting experience is quite limited, so it is important that each year's operating experience be included in the actuarial structure as soon as possible. Consequently, the actuarial structure of each county must be reviewed annually. This review will be necessary in 915 counties and includes actual physical inspection of farmland in the county to determine the insurability. This information is combined with analysis of county soil survey maps and flood data where applicable. From this information, the county is divided into areas by productivity and degree of risk. At the same time, non-insurable acreage is classified.

85 new county programs for 1957: Approximately 85 new counties will be added to the program in 1957. This includes an increase of 50 new counties and the replacement of 35 county programs now in operation.

When new insurance counties are developed, the actuarial work is considerably heavier. Underwriting surveys must be made for several counties in order to select one best suited for crop insurance. County productivity records for numerous years must be analyzed, along with weather and climatic reports.

Increased demand for underwriting studies: In addition to the usual routine of preparing rates and coverages for counties, there is continuous need for special reports on the effect severe climatic conditions and various farming practices have on production.

In addition, as a result of recent crop losses due to frost, freeze, and hurricane, the Corporation is receiving numerous requests for insurance protection on additional crops. In each instance, extensive studies of risks and productivity must be made to determine whether or not a program on the new crop should be instituted.

Crop production and yield statistics: Historical records of crop production on a county basis by farming practice constitute an important phase of the basic material used in the development of crop insurance rates and coverages. This information is required annually on approximately 35 crops for about 900 counties. The cost of compiling this information with Corporation personnel would be prohibitive. Therefore, contractual agreements are made with other Government agencies for supplying this data from records already compiled for other purposes. The charges for this service cover the cost of compiling the data on a basis applicable to crop insurance needs.

The estimated workload and costs for the fiscal years 1956 and 1957 are as follows:

Underwriting and Actuarial Analysis

	: Fiscal Year 1956 :		: Fiscal Year 1957 :		
	: No. of :		: No. of :		: Increase (+)
	: County :		: County :		
	: Programs :	: Cost :	: Programs :	: Cost :	: Decrease (-)
1. County survey work :	950	: \$ 84,320	: 1,000	: \$152,140	: \$ +67,820
2. Crop production and:	:	:	:	:	:
acreage yield :	:	:	:	:	:
statistics..... :	--	: 20,000	: --	: 25,000	: +5,000
3. State, Branch, and :	:	:	:	:	:
Headquarters ser-	:	:	:	:	:
vicing costs..... :	950	: 493,665	: 1,000	: 678,860	: +185,195
	:	:	:	:	:
Total Cost..... :		: 597,985	:	: 856,000	: +258,015

(2) Increase of \$169,000 under the project "Contract sales and servicing" for the sales and servicing of 450,000 contracts; and increase of 50,000 contracts over 1956.

Increase in participation: In accordance with the long-range plan for expansion of the crop insurance program as rapidly as sound insurance principles will permit, a contract workload of 450,000 contracts is budgeted for 1957. This is an increase of 50,000 contracts over 1956. Based on normal cancellation rates for 1956, a total of 130,000 sales will be required to

achieve the 1957 budgeted workload, which will be an average of 450 sales per county in the 85 new county programs (50 new and 35 replacements) and 100 sales per county in the 915 carryover county programs.

The budgeted contract workload, by commodity, for crop years 1956 and 1957 is as follows:

Sales Summary by Commodity -- Crop Year 1956

Commodity	Crop Year 1956 Sales						
	1955	Carryover	Replace-	Increase:	Total	Contracts:	Number of
	Partici-	from 1955	ment of	in		in Force	County
	pation		Cancel-	Partici-		1956	Programs
			lations	pation			
Barley ...	---	---	---	4,000	4,000	4,000	8
Beans ...	4,324	3,500	824	176	1,000	4,500	17
Citrus ...	324	300	24	76	100	400	2
Corn ...	31,172	24,900	6,272	4,728	11,000	35,900	110
Cotton ...	19,639	15,700	3,939	8,061	12,000	27,700	121
Flax ...	20,128	16,000	4,128	-2,128	2,000	18,000	45
Multiple ...	32,846	26,300	6,546	4,154	10,700	37,000	102
Soybeans ..	1,117	900	217	5,883	6,100	7,000	8
Tobacco ..	88,162	70,500	17,662	39,438	57,100	127,600	142
Wheat	125,631	100,500	25,131	12,269	37,400	137,900	395
Total ...	323,343	258,600	64,743	76,657	141,400	400,000	950

Sales Summary by Commodity -- Crop Year 1957

Commodity	Crop Year 1957 Sales					
		Replace-	Increase:			
		ment of:	in		Contracts:	Number of
	Carryover	Cancel-	Partici-		in Force	County
	from 1956	lations:	pation :	Total :	1957	Programs
Barley	3,200	800	2,000:	2,800:	6,000	15
Beans	3,600	900	600:	1,500:	5,100	17
Citrus	320	80	50:	130:	450	3
Corn	28,720	7,180	4,500:	11,680:	40,400	113
Cotton	22,160	5,540	5,800:	11,340:	33,500	125
Flax	14,400	3,600	-2,000:	1,600:	16,000	45
Multiple	29,600	7,400	4,600:	12,000:	41,600	127
Soybeans	5,600	1,400	4,000:	5,400:	11,000	15
Tobacco	102,080	25,520	15,750:	41,270:	143,350	150
Wheat	110,320	27,580	14,700:	42,280:	152,600	390
Total	320,000	80,000	50,000:	130,000:	450,000	1,000

Local agents responsible for sales and servicing of crop insurance contracts at county level: Approximately 750 local agents under contractual agreement with the Corporation at the county level will sell crop insurance contracts to farmers and service contracts already in force. Usually an agent's territory consists of one county, but in some instances as many as three counties are assigned to an agent. The agent must maintain an office as a point of contact for insureds in the county and is responsible for the maintenance of county office files. Agents are under the direct supervision of Corporation District Supervisors.

The annual servicing of a crop insurance contract consists principally of obtaining the acreage report, collecting the premium, and processing any notices of loss. In addition, the agent must answer any inquiries of insureds, process transfers of interest, collateral assignments, and keep insureds generally informed regarding crop insurance matters.

Agents' commission rates: Agents are paid on a commission basis for each contract in force for which the premium is collected by a specific date. The commission schedule is designed to place emphasis on the acquisition of new business and at the same time provide an incentive for the agent to maintain a high percentage of carryover contracts from year to year. The following schedule lists the 1956 commission rates, which will also be in effect for 1957:

New contracts	-	\$4.00 + 10% of premium collected, but not to exceed an average of \$30.00 per contract.
Carryover contracts	-	\$4.00 + 5% of premium collected, but not to exceed an average of \$15.00 per contract.
Collection of old accounts	-	5% of amount collected or \$4.00 per account, whichever is greater, except that the collection fee shall not exceed 25% of the amount collected.
Sharecroppers	-	\$1.00 for each person in excess of one insured under a contract.

The estimated commission costs of sales and servicing for the 1956 and 1957 fiscal years are as follows:

Estimated Cost of Agents' Commissions

	1956 Fiscal Year				1957 Fiscal Year				
	Units or Dollars	Commis- sion Rate	Cost	Units or Dollars	Commis- sion Rate	Cost	Increase (+) or Decrease (-)		
New business:									
Sales	141,400:	\$4.00	\$565,600	130,000:	\$4.00	\$520,000	-\$45,600		
Premium	\$8,364,800:	10%	836,480	\$8,404,520:	10%	840,452	+3,972		
Estimated commission for new business ..	-----	-----	1,402,080	-----	-----	1,360,452	-41,628		
Carryover business:									
Carryover contracts ...	258,600:	4.00	1,034,400	320,000:	4.00	1,280,000	+245,600		
Premium	\$17,658,200:	5%	882,910	\$20,818,480:	5%	1,040,924	+158,014		
Estimated commission for carryover business	-----	-----	1,917,310	-----	-----	2,320,924	+403,614		
Sharecroppers	33,400:	1.00	33,400	36,000:	1.00	36,000	+2,600		
Collection of prior year accounts	39,655:	6.00	237,944	16,825:	6.00	100,944	-137,000		
Total Commission Costs :	-----	-----	3,590,734	-----	-----	3,818,320	+227,586		

Continuous contract: In order to maintain continuous participation in the program and avoid the cost of rewriting all business each year, a continuous crop insurance contract is used which remains in force until canceled by either the Corporation or the insured. The cancellation ratio for 1954 contracts was 24% compared to 28% for 1953 contracts. The following table summarizes 1954 contract cancellations by crop programs:

<u>Cancellation Rate, 1954</u> (Per cent)				<u>Partici- pation Rate</u>
	<u>Producer</u>	<u>Corporation</u>	<u>Total</u>	
Beans	12	20	32	30
Citrus	38	0	38	11
Corn	20	7	27	13
Cotton	20	22	42	13
Flax	13	6	19	46
Multiple Crop	16	7	23	22
Tobacco	15	15	30	30
Wheat	<u>11</u>	<u>7</u>	<u>18</u>	<u>27</u>
All Commodities	14	10	24	21

The estimated workload and costs are as follows:

Contract Sales and Servicing

	<u>Fiscal Year 1956</u>			<u>Fiscal Year 1957</u>			
	:Aver-:			:Aver-:			:Increase(+)
	: Units	:age	: Total	: Units	:age	: Total	: or
	:Cost :			:Cost :			:Decrease(-)
Agents' Com-	:	:	:	:	:	:	:
missions	400,000	\$8.98	\$3,590,734	450,000	\$8.49	\$3,818,320	+\$227,586
State, Branch,	:	:	:	:	:	:	:
and Headquar-	:	:	:	:	:	:	:
ters servicing:	:	:	:	:	:	:	:
costs	400,000	6.84	2,737,266	450,000	5.95	2,678,680	-58,586
Total Cost	400,000	15.82	6,328,000	450,000	14.44	6,497,000	+169,000

(3) Increase of \$73,000 under the project "Crop inspections and loss adjustments"

Loss adjustment activities: The inspection and adjustment of losses is an important phase of crop insurance work. Unless losses are adjusted properly, either the farmer is deprived of the full benefits to which he is entitled under his crop insurance policy, or the Corporation pays indemnities in excess of its liability which results in the unnecessary depletion of capital funds.

The quality of loss adjustment work must consistently be maintained on a very high standard since in many instances the farmer bases his evaluation of the crop insurance program on the performance of the adjuster. Otherwise, the good will and participation obtained through agents in the sales

and servicing of crop insurance contracts will be nullified. Likewise, if losses are adjusted improperly, the soundness of the program would be seriously impaired, even though actuarial rates and coverages had been established with a maximum degree of accuracy.

Crop inspection and loss adjustment work is performed by approximately 1,200 local adjusters who are appointed for services on an intermittent basis, and are paid only when services are performed. Many of these men have now been employed by the Corporation for several years. They are very familiar with local farming practices and have shown considerable improvement in their work as a result of the experience they have accumulated.

The Claims Division of the Washington Office is responsible for the loss adjustment activities of the Corporation. It formulates general loss adjustment policies and supervises the various state offices in the recruitment, training and review of the performance of adjusters. Continual emphasis is given to improving the general quality of loss adjustment work by providing closer supervision and more extensive training for adjusters as well as implementing and revising state and branch office procedures to provide for the more rapid and economical processing of claims.

Increase of 77,000 in 1957 workload: The loss adjustment workload is primarily based on two factors: (1) contract workload, and (2) growing conditions. Assuming that normal growing conditions will exist, there will be an increase in the potential loss adjustment workload for the 1957 fiscal year of 77,000 contracts. In the main part, the adjustment of losses on 1956 crop year losses will be performed during the 1957 fiscal year. The estimated contract workload for the 1956 crop year is 400,000 compared to 323,343 contracts in force on 1955 crops.

In addition to inspections performed when insureds submit a notice of loss, adjusters also make preliminary inspections of insured crops. These inspections are initiated by the Corporation in cases where the insured coverage is considerably greater than average and where early inspections are necessary to determine that good farming practices are being followed. The number of inspections performed each year is usually twice the number of claims that are approved for payment.

Direct costs of loss adjustments and crop inspections: The estimated direct costs of loss adjustments and crop inspections for the 1957 fiscal year is \$1,319,000 compared to \$1,116,000 budgeted for the 1956 fiscal year. These direct costs are considered as non-administrative expense and as such, are payable from premium income. However, an increase of \$73,000 is proposed in this project for 1957 which represents the proportionate share of indirect costs applicable to loss adjustment and inspection work.

The estimated workload and costs are as follows:

Crop Inspections and Loss Adjustments
(Indirect costs)

	<u>Fiscal Year 1956</u>			<u>Fiscal Year 1957</u>			
	Number	Average		Number	Average		Increase(+) or Decrease(-)
	of Con-	age	Total	of Con-	age	Total	
	tracts	Cost	Cost	tracts	Cost	Cost	
State, Branch and Head-quarters servicing costs	323,343	2.42	\$784,000	400,000	2.14	\$857,000	+\$73,000

CHANGE IN LANGUAGE

The estimates include a proposed change in language of the Capital and Insurance Fund as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Corporation: Provided, That the direct costs of loss adjusters for crop inspections and loss adjustments may be considered as nonadministrative or nonoperating expenses: Provided further, That not to exceed [\$1,500,000] \$2,000,000 of administrative and operating expenses may be paid from premium income.

This proposed change would increase from \$1,500,000 to \$2,000,000 the limitation on the amount of operating and administrative expenses of the Corporation which may be paid from premium income, as explained in more detail in the justification of the estimate.

STATUS OF PROGRAM

Scope of 1955 Program - For the 1955 crop year, crop insurance protection in the amount of \$309,924,000 is in force in 888 county programs in 41 states. A total of 29 crops are insured, including wheat, corn, cotton, tobacco, flax, soybean, citrus, and beans. The 1955 contract workload of 323,343 contracts, covering 357,000 farmers, will provide premium income of approximately \$22,255,500. The following table indicates the projected level of crop insurance operations for the 1956 and 1957 crop years, as compared with 1955.

	: 1955	: 1956	: 1957
	: crop	: crop	: crop
	: year	: year	: year
Number of county programs.....	888	950	1,000
Number of commodities insured.....	29	24	24
Number of contracts in force.....	323,343	400,000	450,000
Number of farmers insured.....	356,808	433,400	486,000
Insurance coverage (\$1,000).....	309,924	384,801	434,423
Premiums (\$1,000).....	22,256	26,023	29,223
Indemnities (\$1,000).....	26,283	20,102	22,500
Loss ratio.....	1.18	.77	.77

1954 Loss Experience - In 1954, mainly because of the drought which prevailed in the Southwest area where crop insurance coverage was extensive and rust in the spring wheat area where participation was concentrated, indemnities amounting to \$28,028,033 exceeded premium income of \$22,664,356 by \$5,363,677. With approximately 347,000 contracts in force, a total of 100,836 crop inspections was made, which resulted in 67,295 claims. The major portion of loss occurred in the wheat program with indemnities exceeding premiums by \$5,496,669.

During the seven years the crop insurance program has been operating on a limited experimental basis (1948-1954), premiums in the amount of \$128,594,583 have been earned, compared to indemnity payments of \$136,143,502. The heavy losses caused by drought and rust in 1953 and 1954 depleted the small reserve which had been accumulated, and as of June 30, 1955 a deficit of \$7,732,057 existed.

Insurance Risks Reduced - A significant change in the general policy of crop insurance administration occurred in 1955, when definite action was taken to avoid increasing the liability in those areas where, because of weather conditions, etc., the probability of loss was deemed abnormal. This action was taken mainly because of (1) the severe drought which has caused extensive losses the past few years; and (2) the continuing threat of damage to wheat from rust in the spring wheat area.

In order to limit participation in areas of greater than normal risk:-

1. Closing dates for the acceptance of new business were advanced as much as two months in 88 Southwest wheat and multiple counties.
2. Crop insurance programs were terminated beginning with the 1956 crop year in nine wheat and five multiple counties in the Southwest area, where operating experience indicated that the administration of a sound program could not be achieved unless a major change in growing conditions and farming practices should occur to reduce the risk.
3. Because of the imminent threat of extensive rust damage in the spring wheat area, the 1955 acreage of durum wheat insured was restricted by (a) not writing new business in the major durum wheat area, and (b) declaring durum wheat uninsurable in other areas.

These actions did result in limiting participation for 1955, but the soundness of the crop insurance program which might have been severely impaired if the risk assumed by the Corporation was not controlled in the face of such immediate hazards was improved.

Emphasis on Underwriting Continues - The emphasis on the refinement and improvement of underwriting and actuarial work which began in the 1955 fiscal year will be continued. Underwriting staffs in the six regional offices have been implemented so that concerted attention can be given to the revision of rates and coverages where necessary in order to have them more nearly conform to the risk involved in various areas. This will not only improve the soundness of the program by assuring that adequate premium rates are in effect for the risk that is insured but should also make the program more appealing to the better farmers by screening out high risk farms which unduly increase indemnities and in turn are responsible for higher premium rates.

New Agent's Plan Improved - Since 1954, the sales and servicing of crop insurance contracts has been performed by private individuals acting as agents for the Corporation on a commission basis. During the first year of operation under this type of organization, performance was as good as could be expected when consideration is given to the problems usually encountered in a major change of this type. Now that the transition is well under way, numerous improvements in administration at the county level are being observed. Commission rates were adjusted so as to encourage agents to (1) acquire new business having higher premium income per contract (2) make prompt collection of premiums and (3) reduce contract cancellations by participating farmers.

Loss Adjustment Work Improved - In years when losses are heavy, loss adjustment work is naturally more significant and requires more extensive supervision. Notwithstanding the large number of inspections that had to be made on the 1954 crop, loss inspections were generally completed with a minimum of delay.

The Corporation employs local farmers on a part-time basis to adjust losses. Many of these men have now had several years experience in this work and have attained a very high degree of proficiency in their duties.

To further improve the quality of this service to the farmer, and to assure more uniform and accurate loss adjustments, key adjusters have been designated in each state. These men are selected on the basis of their knowledge of local farming practices and experience in loss adjustment work and other phases of crop insurance operations. They are responsible for the supervision and coordination of loss adjustment work in several counties. The loss adjustment workload for the 1954 crop year was:

Crop	Inspections	Claims
Bean.....	1,838	1,285
Citrus.....	36	7
Corn.....	5,030	2,432
Cotton.....	5,324	4,170
Flax.....	7,342	4,244
Tobacco.....	15,451	12,177
Multiple.....	18,093	11,284
Wheat.....	47,722	31,696
Total.....	100,836	67,295

Certain Operating Expenses Paid From Premium Income - In accordance with the gradual transition of crop insurance operations to a self-sustaining basis, loss adjustment costs and a portion of administrative costs now may be charged against premium income. Previously, all of these costs were financed with funds provided by the direct appropriation for administrative and operating expenses. The 1955 appropriation language provided that the direct cost of loss adjusters could be charged against premium income. In 1956, the appropriation language was further revised to also permit the payment of administrative expenses in an amount not to exceed \$1½ million dollars from premium income.

Program Operating Statistics - There follows statistical data by commodities for the past five crop years. The data on the 1955 crop year are estimated.

Item	BEANS				
	1951	1952	Crop Year 1953	1954	1955
Number of states.....	8	8	8	6	7
Number of counties.....	28	30	30	24	17
Number of contracts.....	9,457	9,014	8,390	6,352	4,324
Percentage of eligible farmers insured.....	31	30	39	34	30
Number of indemnities.....	1,555	622	645	1,240	280
Premiums (\$1,000).....	\$191	\$198	\$230	\$182	\$135
Indemnities (\$1,000).....	\$599	\$110	\$142	\$291	\$66
Surplus or deficit (-)(\$1,000)	-\$408	\$88	\$88	-\$109	\$69
Loss ratio.....	3.14	.55	.62	1.60	.49

CITRUS

<u>Item</u>	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....	1	1	1	1	1
Number of counties.....	1	1	1	2	2
Number of contracts.....	290	202	218	394	324
Percentage of eligible farmers insured.....	17	12	13	14	11
Number of indemnities.....	..	1	..	4	9
Premiums (\$1,000).....	\$82	\$56	\$63	\$105	\$93
Indemnities (\$1,000).....	..	\$2	..	\$1	\$3
Surplus or deficit (-)(\$1,000)...	\$82	\$54	\$63	\$104	\$90
Loss ratio.....	..	.04	..	...	.04

CORN

<u>Item</u>	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....	14	14	13	13	13
Number of counties.....	97	99	108	99	102
Number of contracts.....	37,568	36,598	40,429	32,673	31,172
Percentage of eligible farmers insured.....	15	15	16	14	13
Number of indemnities.....	8,230	1,259	1,118	2,347	7,070
Premiums (\$1,000).....	\$1,080	\$1,350	\$1,664	\$1,378	\$1,363
Indemnities (\$1,000).....	2,567	\$339	\$278	\$765	\$2,339
Surplus or deficit (-)(\$1,000)...	\$1,487	\$1,011	\$1,386	\$613	-\$976
Loss ratio.....	2.38	.25	.17	.56	1.72

COTTON

<u>Item</u>	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....	12	12	12	12	12
Number of counties.....	100	98	109	101	101
Number of contracts.....	57,715	38,086	38,434	24,196	19,639
Percentage of eligible farmers insured.....	20	16	23	15	13
Number of indemnities.....	8,154	3,629	5,407	3,868	2,419
Premiums (\$1,000).....	\$2,674	\$2,079	\$2,353	\$1,496	\$1,237
Indemnities (\$1,000).....	\$2,202	\$922	\$2,462	\$839	\$1,136
Surplus or deficit (-)(\$1,000).	\$472	\$1,157	-\$109	\$657	-\$101
Loss ratio.....	.82	.44	1.05	.56	.92

FLAX

<u>Item</u>	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....	4	4	4	4	4
Number of counties.....	59	59	53	53	50
Number of contracts.....	19,788	18,257	23,433	23,451	20,128
Percentage of eligible farmers insured.....	35	28	54	53	46
Number of indemnities.....	1,857	1,747	3,755	4,117	2,922
Premiums (\$1,000).....	\$459	\$512	\$824	\$939	\$702
Indemnities (\$1,000).....	\$226	\$407	\$786	\$719	\$499
Surplus or deficit (-)(\$1,000)...	\$233	\$105	\$38	\$220	\$203
Loss ratio.....	.49	.79	.95	.77	.71

MULTIPLE CROPS

<u>Item</u>	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....	32	32	27	22	23
Number of counties.....	95	118	113	96	83
Number of contracts.....	36,220	42,709	50,217	41,042	32,846
Percentage of eligible farmers insured.....	17	17	23	22	22
Number of indemnities.....	7,082	9,867	8,784	10,373	8,043
Premiums (\$1,000).....	\$1,958	\$3,021	\$3,862	\$3,211	\$2,814
Indemnities (\$1,000).....	\$3,237	\$7,047	\$3,502	\$4,822	\$4,218
Surplus or deficit (-)(\$1,000)...	-\$1,279	-\$4,026	\$360	-\$1,611	-\$1,404
Loss ratio.....	1.65	2.33	.91	1.50	1.50

SOYBEANS

<u>Item</u>	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....					3
Number of counties.....					6
Number of contracts.....					1,117
Percentage of eligible farmers insured.....					12
Number of indemnities.....					141
Premiums (\$1,000).....					\$28
Indemnities (\$1,000).....					\$15
Surplus or deficit (-)(\$1,000)...					\$13
Loss ratio.....					.54

(No program until 1955)

TOBACCO

Item	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....	12	12	12	12	12
Number of counties.....	69	82	103	107	127
Number of contracts.....	76,426	76,973	102,691	83,082	88,162
Percentage of eligible farmers insured.....	35	31	34	30	30
Number of indemnities.....	4,878	8,090	24,829	12,043	6,359
Premiums (\$1,000).....	\$1,586	\$1,543	\$2,027	\$2,366	\$2,712
Indemnities (\$1,000).....	\$779	\$1,213	\$3,853	\$2,107	\$1,151
Surplus or deficit (-)(\$1,000)..<	\$807	\$330	-\$1,826	\$259	\$1,561
Loss ratio.....	.49	.79	1.90	.89	.42

WHEAT

Item	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....	24	24	24	24	24
Number of counties.....	352	390	405	402	400
Number of contracts.....	105,746	118,847	142,818	135,697	125,631
Percentage of eligible farmers insured.....	22	23	29	29	27
Number of indemnities.....	27,064	17,728	34,736	30,609	27,309
Premiums (\$1,000).....	\$11,081	\$12,443	\$16,075	\$12,987	\$13,172
Indemnities (\$1,000).....	\$11,728	\$10,570	\$20,035	\$18,484	\$16,856
Surplus or deficit (-)(\$1,000)..<	-\$647	\$1,873	-\$3,960	-\$5,497	-\$3,684
Loss ratio.....	1.06	.85	1.25	1.42	1.28

SUMMARY

Item	<u>Crop Year</u>				
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Number of states.....	42	43	43	42	41
Number of counties.....	801	877	922	884	888
Number of contracts.....	343,210	340,686	406,630	346,887	323,343
Number of indemnities.....	58,820	42,943	79,274	64,601	54,552
Premiums (\$1,000).....	\$19,111	\$21,201	\$27,098	\$22,664	\$22,256
Indemnities (\$1,000).....	\$21,339	\$20,609	\$31,058	\$28,028	\$26,283
Surplus or deficit(-)(\$1,000)..<	-\$2,228	\$592	-\$3,960	-\$5,364	-\$4,027
Loss ratio.....	1.12	.97	1.15	1.24	1.18

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes amount which by November 30, 1955, was actually received or programmed for 1955 or 1956. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	:	Obligations	:	Estimated	:	Estimated
	:	1955	:	1956	:	1957
Obligations Under Reimbursements:	:		:		:	
From Governmental and Other	:		:		:	
Sources:	:		:		:	
Operating and administrative	:		:		:	
expenses	:	\$4,127	:	\$2,500	:	- -



RURAL ELECTRIFICATION ADMINISTRATION

Purpose Statement

The Rural Electrification Administration was established by Executive Order 7037 of May 11, 1935, to make loans for the extension of central station electric service to unserved rural people. The agency was continued by the Rural Electrification Act approved May 20, 1936, and became a part of the Department of Agriculture, effective July 1, 1939, under Reorganization Plan II. On October 28, 1949, the Rural Electrification Act was amended by Public Law 423, 81st Congress, to authorize REA to make loans for the purpose of furnishing and improving rural telephone service.

Loans for construction of electric and telephone facilities are self-liquidating within a period not to exceed 35 years, and bear interest at the rate of 2 percent. Loans to finance wiring installations and electrical and plumbing appliances and equipment are also made at 2 percent interest but for shorter periods.

In the electrification program, the principal borrowers of this Administration are cooperative associations formed solely for the purpose of making electricity available in rural areas. Borrowers are encouraged to plan area coverage programs for the expeditious extension of central station service to remaining unserved farms and to plan over-all operations and maintenance of facilities to serve the consumers most effectively and assure maximum security for the Government's loan. The accumulated experience and sound financial condition of many borrowers is fully utilized in developing and carrying out their operation plans.

In the telephone program, loans are made to both private companies and cooperatives. REA is following the policy of continuous cooperation with the industry in the extension of telephone service to rural areas. REA works with the telephone borrowers in developing sound construction and operating policies, and with manufacturers in the development of efficient and economical telephone equipment specifically designed for rural needs. Practically no standards or equipment specifically designed for rural telephone systems were in existence before REA initiated work in this field. In the interest of protecting loan security, considerable time and attention must be devoted to working directly with borrowers which, for the most part, have had little or no past experience in operating efficient up-to-date rural telephone systems. They are expected, however, to assume responsibility for the operation of their systems.

The Rural Electrification Administration has no field offices. Relations with the borrowers are maintained through offices in Washington and a staff of full-time field employees working directly with the borrowers.

The Rural Electrification Administration on November 30, 1955, had 1,001 full-time employees, 797 of whom were in Washington departmental service and 204 in the field service.

	<u>Estimated Available, 1956</u>	<u>Budget Estimates, 1957</u>
Loan Authorizations:		
Rural Electrification	a/ \$160,000,000	b/ \$145,300,000
Rural Telephone	75,000,000	49,500,000
Total, loan authorizations	<u>235,000,000</u>	<u>194,800,000</u>
Salaries and expenses	<u>8,137,285</u>	<u>8,700,000</u>

a/ Excludes reserve authorization of \$100,000,000.

b/ Excludes proposed reserve authorization of \$25,000,000.

(a) Loan Authorizations

<u>Electrification Loans</u>	<u>Loan Authorization</u>	<u>Estimated Loans</u>
Appropriation Act, 1956 (authorization to borrow from the Secretary of the Treasury)	a/ \$160,000,000	c/ \$185,000,000
Budget estimate, 1957	b/ 145,300,000	c/ 185,000,000
Change	<u>-14,700,000</u>	<u>- -</u>

a/ In addition, the Act includes a reserve authorization of \$100,000,000.

b/ In addition, a reserve authorization of \$25,000,000 is proposed.

c/ In addition to new loan authorizations, balances carried over from
prior years are available to meet loan requirements.

Telephone Loans

Appropriation Act, 1956 (authorization to borrow from the Secretary of the Treasury)	\$75,000,000	a/ \$80,000,000
Budget Estimate, 1957	<u>49,500,000</u>	a/ <u>80,000,000</u>
Change	<u>-25,500,000</u>	<u>- -</u>

a/ In addition to new loan authorizations, balances carried over from
prior years are available to meet loan requirements.

PROJECT STATEMENT
(On the basis of estimated loans)

By Projects	1955	1956 (estimated)	1957 (estimated)
<u>Loans</u>			
1. Rural electrification:			
loans	\$164,615,874	a/ \$185,000,000	\$185,000,000
2. Rural telephone			
loans	52,744,000	80,000,000	80,000,000
Total loan requirements:	217,359,874	265,000,000	265,000,000

a/ In addition, loans totaling \$2,914,556 were approved in May, 1955 which were obligated against the 1956 loan authorization.

EXPLANATION OF ESTIMATES

Rural electrification loans. Electrification loans are expected to total about \$185 million for each of the fiscal years 1956 and 1957, though the request for new loan authorization reflects a decrease from \$160 million for 1956 to \$145.3 million for 1957. Part of the reduction in new loan authorization is possible because of an estimated carryover of \$35,223,431 in unused fiscal year 1956 funds into the fiscal year 1957. The balance of the reduction in new loan authorization is predicated on an estimate of \$4.5 million in rescissions of prior year loans during the fiscal year 1957. With the reserve authorization of \$25 million proposed for use to the extent that it may be needed during the fiscal year 1957, there would be no delay in meeting loan requirements if the estimated rescissions and carryover do not fully materialize or if the loan demand for 1957 should be greater than is now anticipated.

Rural telephone loans. During the fiscal year 1957 telephone loans are expected to total about \$80 million; about the same level anticipated for fiscal year 1956. Though loans for each of the two fiscal years are expected to be about the same annual level the estimate reflects a decrease in new loan authorization from \$75 million in 1956 to \$49.5 million in 1957. The reduction is based on an estimate of \$29,556,176 in carryover of unused loan funds from fiscal year 1956 to fiscal year 1957, and rescissions of \$1 million in prior year loans in each of the fiscal years 1956 and 1957. The estimated carryover of \$29,556,176 assumes that not more than \$80 million will be loaned during fiscal year 1956 from a total of \$109,556,176 available for loan during the year.

Rural Electrification Loans - The status of electrification loan funds for 1955, 1956 and proposed for 1957 are shown below:

	<u>Fiscal Year 1955</u> (Actual)	<u>Fiscal Year 1956</u> (Estimated)	<u>Fiscal Year 1957</u> (Estimated)
Loan authorization ...	\$170,000,000 a/	\$160,000,000 c/	\$145,300,000 d/
Carryover from prior years	+46,996,190	+55,723,431	+35,223,431
Rescissions during year of prior loans	<u>+3,343,115</u>	<u>+4,500,000</u>	<u>+4,500,000</u>
Amount available for loans	220,339,305	220,223,431	185,023,431
Carryover into subsequent year	<u>-55,723,431</u>	<u>-35,223,431</u>	<u>-23,431</u>
Loan Requirements	<u><u>164,615,874 b/</u></u>	<u><u>185,000,000</u></u>	<u><u>185,000,000</u></u>

Rural Telephone Loans - The status of telephone loan funds for 1955, 1956 and proposed for 1957 are shown below:

	<u>Fiscal Year 1955</u> (Actual)	<u>Fiscal Year 1956</u> (Estimated)	<u>Fiscal Year 1957</u> (Estimated)
Loan authorization ...	\$75,000,000	\$75,000,000	\$49,500,000
Carryover from prior years	+8,158,176	+33,556,176	+29,556,176
Rescissions of prior year loans	<u>+3,142,000</u>	<u>+1,000,000</u>	<u>+1,000,000</u>
Amount available for loans	86,300,176	109,556,176	80,056,176
Carryover into subsequent year	<u>-33,556,176</u>	<u>-29,556,176</u>	<u>-56,176</u>
Loan Requirements	<u><u>52,744,000</u></u>	<u><u>80,000,000</u></u>	<u><u>80,000,000</u></u>

a/ Includes \$35,000,000 reserve authorization utilized during fiscal year 1955.

b/ In addition, loans totaling \$2,914,556 were approved in May 1955, which were obligated against the 1956 loan authorization.

c/ In addition, a reserve authorization of \$100,000,000 is available during 1956.

d/ In addition, a reserve authorization of \$25,000,000 is proposed.

CHANGE IN LANGUAGE

The estimates include a proposed change in language as follows (new language underscored; deleted matter enclosed in brackets):

For loans in accordance with said Act, and for carrying out the provisions of section 7 thereof, to be borrowed from the Secretary of the Treasury in accordance with the provisions of section 3(a) of said Act as follows: Rural electrification program, [\$160,000,000] \$145,300,000; and rural telephone program, [\$75,000,000] \$49,500,000; and additional amounts, not to exceed [\$100,000,000] \$25,000,000 for the rural electrification program, may be borrowed under the same terms and conditions to the extent that such additional amounts are required during the fiscal year [1956] 1957, under the then existing conditions, for the expeditious and orderly development of the program.

The proposed change in language reduces the amount to be available as a reserve authorization for the electrification program from \$100 million to \$25 million. With the much greater flexibility in the use of electric loan funds by States, as provided for in the amendment of the Rural Electrification Act on June 15, 1955, Public Law 70, the reduced amount of the reserve authorization will provide sufficient leeway to meet any unforeseen needs in fiscal year 1957. On the average, the new formula will permit the use of almost three times as much funds in any one State. This lessens the possibility of need for additional funds during the year because of the limitations of the State formula; however, if such needs should occur it will be possible to meet them through utilization of a smaller amount of the reserve authorization.

(b) Salaries and Expenses

Appropriation Act, 1956	\$7,680,000
Proposed supplemental, 1956, for pay act costs	461,500
Activities transferred in the 1957 estimates to "Salaries and Expenses, Office of the Secretary, Agriculture" for personnel investigation work	-4,215
Base for 1957	8,137,285
Budget Estimate, 1957	8,700,000
Increase	<u>+562,715</u>

SUMMARY OF INCREASES, 1957

Rural Electrification Program

For lending and construction activities incident to new loans	+18,645
For loan security activities applicable to outstanding loans	+36,570

Rural Telephone Program

For lending activities incident to new loans	+67,200
For construction activities applicable to new loans	+155,730
For loan security activities with respect to outstanding loans	+284,570

PROJECT STATEMENT

Project	1955	1956 :(estimated):	Increase	1957 :(estimated)
1. Administration of Rural	:	:	:	:
Electrification Program:	:	:	:	:
(a) Lending and construction	:	:	:	:
activities-new loans	\$1,806,848	\$1,870,155	+\$18,645	\$1,888,800
(b) Loan security activities-	:	:	:	:
outstanding loans	2,437,558	2,603,630	+36,570	2,640,200
Total, Administration of	:	:	:	:
rural electrification	:	:	:	:
program	4,244,406	4,473,785	+55,215(1)	4,529,000

(Continued on next page)

Project	1955	1956 (estimated)	Increase	1957 (estimated)
2. Administration of Rural Telephone Program:				
(a) Lending activities-new loans	1,143,466	1,376,800	+67,200	1,444,000
(b) Construction activities-new loans	1,285,627	1,416,270	+155,730	1,572,000
(c) Loan security activities-outstanding loans	705,899	870,430	+284,570	1,155,000
Total, Administration of rural telephone program:	3,134,992	3,663,500	+507,500(2)	4,171,000
Unobligated balance	92	.....	.....	.....
Total pay act costs (P.L. 94).	[134,687]	[461,500]	[+31,500]	[493,000]
Total available or estimate ..	7,379,490	8,137,285	+562,715	8,700,000
Transferred from "Agricultural Adjustment Programs, Commodity Stabilization Service"	-98,490	- -		
Transfer in 1957 estimates to "Salaries and expenses, Office of the Secretary of Agriculture"	+4,000	+4,215		
Proposed supplemental due to pay increases	- -	-461,500		
Total appropriation or estimate:	7,285,000	7,680,000		

INCREASES OR DECREASES

The increase of 562,715 in administrative expenses for fiscal year 1957 consists of the following:

(1) An increase of \$55,215 under the project "Administration of the rural electrification program".

There has been a concentrated effort during the past several years to reduce the amount of staff working in the electrification program, which has enabled an annual savings of over \$2-1/2 million and almost 600 man years of employment. All but the most essential services have been eliminated and wherever possible full responsibility has been placed with the borrowers for carrying out necessary activities. The electrification activities now being carried out by REA are handled essentially by skeleton staffs, with personnel serving generally in an advisory capacity to the REA borrowers, and much reliance placed on the borrowers to get the job done. Private enterprise has been encouraged to help meet the objectives of the rural electrification program which has also helped to reduce the expenditure of government funds. The administration is continuing to take advantage

of every possible opportunity for further savings. With this as an uppermost objective the Administration will endeavor to handle a significant increase in electrification workload during fiscal year 1957 with only a very small increase in personnel. The increases will be needed as follows:

(a) An increase of \$18,645 for lending and construction activities - new loans.

Lending and construction work on new distribution loans, to bring central station electric service to the remaining unserved areas of the country, is becoming increasingly difficult as the remaining unserved areas narrow down to those with the more extreme problems of long distances between farms, difficult terrain, economic conditions, etc. The loan feasibility studies, engineering work and operations analyses are far more difficult on these loans and in most cases a number of alternative proposals must be considered and studied. In addition to the loans becoming progressively more difficult to process, they are smaller size loans which makes the comparison of workload with dollar amount of loans processed even more extreme.

The power supply requirements of the rural electric borrowers are continually increasing and are expected to double by 1965 and more than triple by 1975. These increasing power needs are creating additional loan demands for distribution system improvements and for generation and transmission facilities. It is essential that the REA borrowers be capable of furnishing adequate quantities of energy on a dependable basis at reasonable cost. Helping borrowers find ways to meet these mounting power needs is a principal responsibility of REA, and it is a task which has become increasingly complex. In order to assure that the best course of action is adopted in each case, it is necessary to consider various alternatives, such as interconnections, integration, power exchange agreements, wheeling arrangements, etc. These alternative considerations are necessarily time consuming, but they are essential to assuring that farmers will have the advantage of the lowest cost electric service available to meet their needs.

To meet the demands of the REA borrowers in 1957 it will be necessary to make about 400 loans as compared to an anticipated 375 loans in 1956. In addition to the workload going into the making of these loans there is an increasing percentage of staff time going into workload which does not result in an approved loan during the fiscal year. In some of these instances the work will result in a loan in a future year and in some cases the work will result in finding a means of meeting the need through some means other than a government loan. Oftentimes it is found advantageous to integrate or interconnect REA-financed facilities with those of other power suppliers. In some cases the work of REA results in the borrower negotiating a favorable contract for power from an existing source rather than construction of a generation plant. Borrowers still purchase about 85 percent of the power they distribute, either from electric companies or from public agencies and generate the other 15 percent themselves.

The increasing interest in atomic energy developments in the production of electric power adds to the workload of the electrification staff. Generation loans cover long range propositions and all of the possible future as well as present day developments must be considered in studying the feasibility of the various ways of meeting the increased power demands. REA personnel working in the lending and construction activities of REA must devote considerable time to developments in this field and their application to operations of the REA borrowers.

Data pertaining to workload:

	<u>1955 Actual</u>	<u>1956 Estimated</u>	<u>1957 Estimated</u>
Number of loans approved .	349	375	400
Amount of loans approved .	\$164,615,874	\$185,000,000	\$185,000,000
Unadvanced funds, start			
of year	\$442,177,766	\$446,708,590	\$467,208,590
Funds advanced, annual ...	\$156,741,935	\$160,000,000	\$160,000,000
Miles loaned, not constructed, start of			
year	71,811	60,765	55,765
Miles constructed, annual	32,439	35,000	35,000
KW generating capacity installed, annual	140,995	43,000	137,000
Consumers served, annual .	138,602	125,000	125,000

(b) An increase of \$36,570 for loan security activities - outstanding loans.

The workload in protecting the security for the government's long-term loans in the electrification program increases yearly as the outstanding balances increase; as borrowers approach their peak repayment periods; as systems grow older; and as the borrowers reach into the more marginal operations in an effort to extend service to the remaining unelectrified farms and other rural establishments. During the past several years the annual increases in workload in this activity have been handled by reducing lending and construction activities, as well as loan security activities by placing as much responsibility as possible with the borrowers to get the job done. The staff has been reduced to a level where current loan security matters can be handled only on a highly selective basis. The increased workload that will occur during fiscal year 1957, cannot be absorbed by the present staff even with the most optimistic forecast of improvements and time saving developments in operations, or transfers of additional responsibilities to the borrowers. A small increase will be needed in this activity to get the job done.

Technical operations and maintenance will require increased attention. The condition of the borrowers' facilities is of paramount importance to loan security. During the past three years the number of miles of electric line over five years old has increased from slightly more than 650,000 to over 1,000,000. REA must devote the necessary amount of

attention to this situation to assure that the borrowers provide adequate attention to the technical operation of their lines and maintenance of their facilities. Until recent years REA borrowers have been operating relatively new facilities. With the facilities approaching an average age where proper technical maintenance will be a significant factor in the borrowers ability to provide for the increasing demands for power on its systems and to meet the sharply increasing debt service requirements, the importance of this aspect of REA's work with the borrowers cannot be stressed too strongly.

Attention must be given to the borrowers' business management activities to assure their continued ability to meet rising debt service requirements. There are almost 180 borrowers operating "in the red" on an accrual basis, yet only 18 borrowers are delinquent in their repayment to the Government. Through proper attention to the borrowers' operations it has been possible to detect adverse trends and other management problems at an early stage and thus avoid serious delinquency or possible losses. With debt service requirements increasing steadily there will be a considerable increase in loan security problems which, if not handled properly as they occur, may possibly result in sizeable losses to the Government, or at best a much greater expenditure of government funds at a later date to prevent the losses.

Another important phase of loan security work which will require increased attention is power use. During the past year and a half great strides have been made toward interesting manufacturers, distributors, and dealers of electric powered equipment and appliances, in a coordinated program for a greater beneficial use of electricity throughout the Nation. It is significant that during this period the number of rural electric borrowers whose margins are below the level considered necessary to insure financial soundness has been reduced from 252 to 179.

The increase requested will make it possible to carry out the activities considered essential for adequate security of the government's loans.

Data pertaining to workload:

	<u>1955 Actual</u>	<u>1956 Estimated</u>	<u>1957 Estimated</u>
Loans outstanding, end of year	\$2,187,181,912	\$2,270,481,912	\$2,347,401,912
Interest payments due, annual	\$31,986,723	\$34,380,000	\$37,395,000
Principal repayments due, annual	\$58,073,094	\$63,060,000	\$68,990,000
Miles of line over 5 years old, end of year	1,018,336	1,134,498	1,210,473
Miles of line energized, end of year	1,348,069	1,383,000	1,418,000

(2) An increase of \$507,500 under the project "Administration of the rural telephone program", as follows:

(a) An increase of \$67,200 for lending activities.

The workload in processing telephone loans is much greater than originally anticipated in spite of continuous and exerted efforts to streamline procedures and provide for the most effective type of operations. Most of the REA telephone borrowers are very small. They serve the less profitable small towns and rural areas and because of their narrow earning margins they are not able to operate with the same type of financing used by the larger companies. Financing plans must be tailored to the peculiarities of these small companies so that they will be able to handle it. Because of the low earning margins many of these borrowers have not in the past been able to secure financing to improve and expand their facilities and have therefore been forced to live off their capital until it has been totally depreciated. Equity has in many instances been dissipated by both use and obsolescence of the systems. Technical know-how and experience in managing a modernized rural system is very limited. Accounting records are usually either inadequate or non-existent.

The experience to date has shown the financing requirements of these small systems, and the problems in meeting these requirements, to be unique and unusual. The REA telephone program has developed to the point where these problems can be more fully understood and the financing needs more effectively handled, but it has also become apparent that the manpower needs will be greater than has heretofore been estimated. To process \$80,000,000 in loans during the fiscal year 1956 will require more administrative funds than was originally anticipated. To provide the necessary staff to process the loans, it will be necessary to limit the staff that will work on the phase of the lending activity concerned with borrowers meeting the requirements for the first advance of funds, as well as further delay loan security work. The requirements for the first advance of funds must be met before construction can start and with the larger amount of loans expected during fiscal year 1956 there will be a much heavier workload in this phase of the work in fiscal year 1957.

Data pertaining to workload:

	<u>1955 Actual</u>	<u>1956 Estimated</u>	<u>1957 Estimated</u>
Amount of applications on hand, start of year			
	\$78,216,679	\$51,000,000	\$51,000,000
Number of applications on hand, start of year	270	163	185
Amount of applications received during year	\$56,145,000	\$90,000,000	\$90,000,000
Number of applications received during year	185	255	255

	<u>1955 Actual</u>	<u>1956 Estimated</u>	<u>1957 Estimated</u>
Total amount of applications for consideration	\$134,361,679	\$141,000,000	\$141,000,000
Total number of applications for consideration	455	418	440
Annual amount of loans	\$52,744,000	\$80,000,000	\$80,000,000
Annual number of loans	147	200	200

(b) An increase of \$155,730 for construction activities.

Most of the construction activity during a fiscal year results from loans made in prior years. With almost a 50 percent increase in loans to be made during the fiscal year 1956 and with almost 50 percent of the total amount loaned since the beginning of the program not yet advanced for construction by the beginning of the fiscal year 1957, there will be a significant increase in workload in this activity during the 1957 fiscal year. At the start of the fiscal year 1956 the cumulative loans not yet advanced for construction provided for about 112,000 miles. By the beginning of the fiscal year 1957, the number of miles of line to be constructed will increase to more than 131,000, an increase of about 17 percent. The number of subscribers provided for in cumulative loans not yet advanced for construction will increase about 16 percent during the same period.

It is estimated that approximately 27,500 miles of pole line will be constructed in fiscal year 1957, an increase of approximately 25 percent over the estimated number of miles to be constructed in fiscal year 1956. The number of new subscribers to be connected to REA borrowers' systems, and the number of subscribers to receive improved service is expected to increase from an estimated 69,000 in fiscal year 1956 to an estimated 83,000 in fiscal year 1957. The cumulative miles of line constructed will increase from about 68,500 to about 96,000 and the cumulative number of subscribers is expected to increase from about 217,000 to about 300,000.

The increased construction activities during the fiscal year 1957 will increase the workload of the principal construction activities such as construction planning, construction inspection, cut over of exchanges and final inspection by at least 20 percent during the year. With the funds requested it will be possible to maintain a reasonable rate of construction during fiscal year 1957.

Data pertaining to workload:

	<u>1955 Actual</u>	<u>1956 Estimated</u>	<u>1957 Estimated</u>
Miles loaned, not completed, start of year	99,035	112,253	131,500
Miles constructed, annual ..	18,957	23,000	27,500
Miles constructed, cumulative	45,498	68,500	96,000

	<u>1955 Actual</u>	<u>1956 Estimated</u>	<u>1957 Estimated</u>
Subscribers loans, not yet served, start of year	325,657	367,683	425,000
Subscribers served, annual .	63,000	69,000	83,000
Subscribers served, cumulative	148,000	217,000	300,000
Unadvanced funds, start of year	\$124,476,394	\$134,291,408	\$158,291,408
Advances, annual	\$39,786,986	\$55,000,000	\$70,000,000

(c) An increase of \$284,570 for loan security activities - outstanding loans.

At this stage of the rural telephone program the need for loan security work will develop rapidly. The needs will have to be met promptly for the protection of the government's loans. With construction activities reaching significant proportions during this past year and with even greater advancement to take place in this next year many new borrowers will begin operating REA financed systems resulting in a very heavy increase in workload in the loan security activities.

Cumulative loans will increase more than 70 percent in the two year period from fiscal year 1955 to fiscal year 1957; from the 1955 level of approximately \$234 million to a little less than \$400 million. The amount of these loans advanced to the borrowers will increase about 125 percent; from less than \$100 million to an estimate of almost \$225 million. The total number of borrowers are expected to increase from 351 to about 635, an increase of almost 100 percent. Of these borrowers, approximately 310 will have all or part of their systems cut over and in operation by the end of 1957 as compared to 158 at the end of 1955.

The heaviest increase in workload will result from a three-fold increase in loan repayments becoming due. The amount of loan repayments due in fiscal year 1955 totaled slightly more than \$557 thousand. In fiscal year 1957 loan repayments due will total about \$1.7 million. By 1957 many of the present borrowers will have reached the end of their deferment periods and will have to be making repayments on their loans for the first time.

For the most part borrowers should by that time be nearing their revenue producing potential, but with the extremely narrow operating margins many of the borrowers will face some difficulties in making their payments. It is extremely important to the security of the government's loans that these borrowers be given adequate attention in overcoming these difficulties. Experience has shown that many loan security problems are relatively easy to overcome if attention is given at the proper time. If necessary attention is delayed it is likely to take many times the expenditure of Government funds than might otherwise be required to correct the situation and in some cases result in loss of loan funds to the Government.

Data pertaining to workload:

	<u>1955 Actual</u>	<u>1956 Estimated</u>	<u>1957 Estimated</u>
Cumulative loans, end of year	\$234,180,542	\$313,180,542	\$392,180,542
Cumulative advances, end of year	\$99,889,134	\$154,889,134	\$224,889,134
Total repayments due, annual	\$557,673	\$1,000,000	\$1,680,000
Number of borrowers, cumulative	351	500	635
Cumulative miles constructed or improved, start of year	26,541	45,498	68,500



STATUS OF PROGRAM

1955 Electrification Program

Electrification loans during the fiscal year 1955 totaled slightly more than the amount loaned during fiscal year 1954. It was the largest amount loaned since 1951. Advances of funds to borrowers and construction activities continued at a high rate, and significant progress was made during the year in improving the security of outstanding loans. The cost of administering the electrification program was reduced by \$330,000 below the 1954 figure. Program developments during 1955 are highlighted below. Comparable figures on loans and construction for prior fiscal years appear in Tables No. I and II.

Lending and Construction

Loans. In the fiscal year 1955, loans amounted to \$167,530,430 as compared to loans of \$167,104,100 during fiscal year 1954. Loans in fiscal year 1955 were made for the following purposes:

	1955 Loan Program	
	Percentage of Total:	Amount
Distribution lines	70.8	\$118,563,371
New line construction	(48.4)	(81,051,446)
Deficiencies	(0.9)	(1,474,656)
System improvement (includes		
Communication Facilities)	(21.5)	(36,037,269)
Generation	11.6	19,393,350
Transmission	12.7	21,339,820
Headquarter facilities, office		
buildings, warehouses, etc.	2.4	4,085,889
Section 5 loans (consumer		
facilities)	2.5	4,148,000
Total loans for year	100.0	167,530,430 <u>a/</u>
Cancellations of prior loans :		
during year		<u>-3,343,115</u>
Net increase during year in :		
cumulative loan obligations		164,187,315

a/ Includes \$2,914,556 obligated against loan authorization in 1956 Department of Agriculture and Farm Credit Administration Appropriation Act.

A total of 349 loans were made in 1955, as compared with 325 in 1954. They will provide for the construction of approximately 24,300 miles of line to bring electric service to about 179,400 new consumers, for heavying up of existing systems, and for generation and transmission

facilities. The backlog of applications on hand dropped from \$117 million at the beginning of the year to \$97 million at the end of the year.

Loan funds advanced to borrowers. During fiscal year 1955, a total of \$156,741,935 was advanced to borrowers, mainly from loans of prior years. The amount advanced is \$24,786,597 less than the amount advanced during fiscal year 1954. The decrease in the amount advanced is due chiefly to the fact that in recent years an increasing percentage of the loans made have been for generation and transmission. Construction under these loans extend over a much longer period of time and in many instances over a period of several years. Since funds are advanced only as particular phases of construction are completed it is to be expected that the annual advances will decrease as a larger percentage of the loans are approved for lengthier construction projects.

Consumers connected and construction progress. In the 12 months ending June 30, 1955, electricity was extended to 138,602 rural consumers through the construction of 32,439 miles of line. During the previous year, 157,283 consumers were connected through the construction of 44,187 miles of line.

Loan rescissions. Periodically, REA reviews the status of unadvanced loan funds for all borrowers, as well as doing so each time a new loan is under consideration for a particular borrower. Loans are rescinded or transferred to other needed purposes where it is indicated that borrowers no longer need the remaining unadvanced funds for the purpose for which they were loaned. During the fiscal year 1955, \$3.3 million in loans was rescinded.

Loan Security Activities

Loan repayments. Cumulative principal and interest payments to June 30, 1955, amounted to \$413,277,119 and \$209,336,270, respectively. As of that date, payments on principal made ahead of schedule amounted to approximately \$84,941,595, while principal and interest payments overdue more than 30 days amounted to \$398,282, or less than one tenth of one percent of the amount due. (Overdue amount does not include interest and principal in the amount of \$44,478 on two loans which were foreclosed). The corresponding figures as of June 30, 1954, were:

Payments:

Principal	\$338,884,697
Interest	177,303,205
Repayments ahead of schedule	69,002,443
Payments overdue more than 30 days	379,880
Interest and principal on two foreclosures	44,478

Increased debt service. After a loan is made, borrowers have generally needed a 5-year period to complete construction and develop loads on their lines before they could achieve a revenue producing status and begin making repayments on their loans. For that reason 5-year deferments of interest and principal payments on loans have been granted after which interest and principal payments are scheduled in equal annual installments over the remaining 30 years of the loan period. Since most borrowers have received several loans over a period of time, this means that their total period of debt repayments to REA is substantially greater than 35 years. This frequently means that their debt service obligations will peak sometime during the mid-part of their loan period. From 1948 to 1951, annual principal and interest due from borrowers increased from approximately 32 million dollars to approximately 41 million dollars. From 1951 to 1955, annual principal and interest due increased to about 90 million dollars.

Loan security problems. With the peak loan repayment period yet to come on most of the loans any analysis of loan security must go considerably beyond the borrowers present position with respect to loan repayment. One measure is to compare the margin of revenue over expenses (including an allowance for replacements) with the maximum schedule of repayment that would be required if payments were not being deferred. This is most meaningful when assessed in terms of the weighted age of the borrowers plant. For example, a borrower with a weighted age of more than six years is expected to earn at least 100 percent of debt service; a borrower with a weighted age of from 61 to 72 months is expected to earn at least 80 percent, etc. On this basis, the debt service earned ratios of 193 borrowers fell below expectations as of the end of calendar year 1954, as compared with 222 as of the end of calendar year 1953.

Borrowers with debt service earned ratios below expectations, plus the relatively few in default on payments, and a few others where loan security appears endangered for specific reasons, constitute the group toward which the loan security program is directed.

More than 270 of the electric borrowers were considered to have loan security problems at various times during the fiscal year 1955. It was possible to remove more than 90 of these borrowers from the loan security problem category during the year. Of 179 problem borrowers at the end of the year 176 were not earning sufficient revenue for their weighted age.

Electric sales program. Except in unusual circumstances, possible reductions in expenses are not of sufficient magnitude to solve loan security problems, and an increase in power sales is often the only practical answer. Also, increased usage of equipment besides resulting in an increase in power sales means a more highly diversified load and an improved load factor, or greater KWH sales per KW of demand.

During 1954, an electric sales program was initiated to stimulate manufacturing and sales organizations to direct advertising and sales efforts to the potentially huge rural market. With a very small outlay of federal funds, a hard-hitting program was started and during the fiscal year 1955 considerable progress was made in promoting the increased sale and beneficial use of electric power in rural areas. The progress made will materially strengthen the financial condition of REA borrowers. The major effort of REA in this regard is in stimulating borrowers, borrower organizations, power companies, and manufacturing and sales concerns to get together and develop sales programs aimed at rural areas. The increased use of electric power on farms in addition to bettering the financial condition of the borrowers is reducing the operating costs of farmers by use of this cheapest hired hand.

Other Program and Organizational Highlights

Power supply through integration and interconnection. Increasing emphasis is being placed on the furnishing of adequate power for REA borrowers by integration and interconnection of systems with existing power suppliers within the same area. On this basis, REA has been able to develop adequate sources of power for REA borrowers at both a lower cost to the borrower and to the consumer -- and without the necessity of millions of dollars of Government investment in generating and transmission facilities. For example, in Kentucky an arrangement was worked out whereby the East Kentucky Generating and Transmission Cooperative integrated its facilities with those of the Kentucky Utility Company and TVA to secure additional power at lower cost. In this instance the borrower has saved approximately \$3,000,000 and the Government that much additional investment. Similar negotiations have produced results in other States, including Iowa, New Mexico, and Missouri.

Selective Approach in Work with Borrowers. There has been an intensification of REA policy to place REA work with borrowers on a very selective basis. Electric borrowers which are operating successfully and do not represent a risk to Government loan funds receive little or no REA assistance. On the other hand, borrowers which continuing REA studies reveal are not meeting or are not likely to meet debt service requirements receive major attention from the REA staff. This has accomplished two things: (1) It has made it possible to carry out the workload in the electric program with a much smaller staff than in prior years, and (2) even with the smaller staff it has made it possible to give the loan security borrowers the increased amount of attention needed to prevent present or future defaults in loan payments.

1956 Electrification Program

REA's primary responsibility is for safeguarding the Government's security for over three billion dollars in loans already made. Attention must also be given to the extension of electric service to the remaining

unserved areas, as well as to meeting the needs for the ever-increasing use of power on existing systems.

Lending and Construction

Applications on hand and rate of receipt. Electric applications on hand amounted to over \$97 million on June 30, 1955. During the fiscal year 1956 it is expected that an additional \$180 million in new applications will be received. Not all of these applications make an immediate contribution to loan demand, of course, since many are withdrawn or returned to the field for reworking. Nevertheless, the figures indicate a heavy loan demand for 1956.

Loans. An estimated 7 percent of American farms were without central station electric service as of June 30, 1955. Applications for loans to provide service to these establishments involve increasing difficulties as the more sparsely settled sections are reached. Applications from the "thinner" areas require more detailed study of construction costs, probable revenues and operating costs. The problems of adequate and dependable power supply are great in sparsely settled areas where power sources are scarce and transmission distances are long.

The need for electric loans is not limited to extension of electric service to remaining unserved rural people. As the use of electric power for farm production and rural living increases borrowers must increase their system capacities to be able to deliver the power required at acceptable voltages to over 4 million rural consumers. There is an increasing loan need for such purposes as the installation of voltage regulators, new substations, heavier conductor, poles, crossarms, and hardware. Complex lending and construction plans must be worked out to assure that these system improvements are carried on in an orderly and economical way, and to assure the existence of an adequate, dependable, and economical wholesale power supply.

REA expects to meet a loan need of about \$185,000,000 during fiscal year 1956. Loans for extension of new service will provide for about 30,000 miles of distribution line and connection of about 170,000 new consumers. Of the amounts to be loaned, an estimated \$57,000,000 will provide for additional generation and transmission capacity, and an estimated \$40,000,000 will be loaned for system improvements.

Construction. About 35,000 miles of distribution lines will be energized during 1956, bringing service to an estimated 125,000 new consumers. It is estimated that 2,000 miles of transmission line will be energized, and 43,000 KW of generating capacity installed. On June 30, 1955, loans had been made for about 63,000 miles of line not yet energized; loans through that date would provide service to 358,640 consumers not then connected.

Advances. Advances of loan funds are estimated at \$160 million for the fiscal year 1956. With loans of \$185 million and rescissions during the year, unadvanced funds are expected to approximate \$467 million on June 30, 1956. The amount of unadvanced loans is substantial because of the considerable time which elapses between the making of a loan and the final advance of funds when construction is completed, particularly for generation and transmission facilities and system improvements.

Loan Security Activities

Borrowers loan repayment schedules are increasing sharply. With five year deferrals of interest and principal payments, repayments of record amounts loaned in recent years are now becoming due. The amount of loans on which loan repayments will be due during the fiscal year 1956 - all having run the 5-year deferment on or before June 30, 1955 - will be about equivalent to the cumulative loans through fiscal year 1950, just over \$2.2 billion. From this \$2.2 billion in 1956 the figure will steadily increase to over \$3 billion by fiscal year 1961 on the basis of cumulative loans of \$3,050,119,414 through June 30, 1955. The total payments of interest and principal due from the borrowers are expected to increase from about \$90 million in 1955 to about \$123 million in 1959. With 35 year loan periods, debt service requirements will continue to gradually increase for a period of years after 1959. Borrowers must develop to the point where they can meet these increasing debt service requirements. Primary efforts of the REA will be directed toward those borrowers who have loan security problems and represent possible losses if corrective action is not taken early enough. At the end of fiscal year 1955, there were 179 borrowers considered to have such loan security problems.

Condition of physical facilities. There is a steadily increasing need for effective technical operations and maintenance practices as borrowers plants become older. Until now borrowers have been operating plants which were substantially new, and therefore have required little maintenance to date. These plants often also had greater capacity than was currently required, built in to meet future load growth. With the loads of many borrowers approaching system capacity, skillful operation of these systems will become far more important than it has been in the past. In the fiscal year 1956, about two-thirds of the borrowers' systems will be over 5 years old and many of these facilities are approaching 10 years of age. The soundness of the physical facilities is essential to security of the Government's loan. If the farmers are to receive adequate service, and the government loan to be repaid, these systems must be adequately operated and maintained.

As a loan security measure, REA field engineers conduct a brief survey of each borrowers physical plant to ascertain its condition, and to bring possible improvements to the attention of the borrower. Information is continually being developed by the technical engineering staff for borrowers' use in important aspects of technical operations and maintenance to protect the properties that

secure the Government's loan. Technical information on such things as recloser maintenance, sectionalizing, system protection, and substation operation is developed. This information is disseminated to borrowers through fieldmen, technical training meetings, and other means.

Organization and operational soundness of borrowers. Comprehensive management plans are developed with each borrower having loan security problems, fitted to each particular situation, including evaluation of the borrower's organization, business operating procedures, technical operations, wholesale power supply, adequacy of rates, load growth, and all other factors having a bearing on the financial soundness of the borrowers. Continuous work is carried out with these borrowers until they are back in sound operating status. Experience has shown that if sufficient attention can be given to these borrowers in the early stages of their difficulty, serious future threats to loan security and probable losses of government loan funds can be avoided.

Increased borrower revenue. The most effective way to improve a borrower's financial condition is to increase revenue. Major studies in this direction are being made on the electric sales program. The interest already demonstrated by manufacturing and sales organizations, REA borrowers, and other power suppliers is achieving substantial results with a moderate outlay of government funds. Increasing emphasis is being placed in the program during the 1956 fiscal year.

Other Program Highlights

Power supply. A major problem in certain sections of the country continues to be the inadequacy of wholesale power supply. To meet this problem may require new wholesale power contracts, integration of existing REA financed power facilities with other facilities in the area, or generation and transmission by REA borrowers.

Nuclear power now appears as a definite possibility in the rural electrification field but it will probably be some time before it can feasibly be adapted to current day problems. REA personnel assigned to keep abreast of developments in the nuclear power field, work continually with the power supply problems in rural areas. Their close familiarity with the needs of the REA borrowers will assure that the borrowers will have the full benefits of low cost nuclear power as soon as it becomes a reality.

The cumulative figures presented in the following tables show the progress of the rural electrification program since its inception in May, 1935:

LOANS

Table No. I (cumulative figures)

Date	Total Net Loans All Purposes	Miles Constructed (Loan Estimate)	Consumers Served (Loan Estimate)
June 30, 1936	\$ 13,903,412	13,072	48,997
June 30, 1937	58,936,217	51,407	193,529
June 30, 1938	88,172,436	80,951	282,802
June 30, 1939	227,236,949	209,818	724,999
June 30, 1940	268,972,949	251,642	854,828
June 30, 1941	369,027,621	356,053	1,171,867
June 30, 1942	460,180,345	409,490	1,345,107
June 30, 1943	466,881,323	414,287	1,358,114
June 30, 1944	498,811,447	448,889	1,438,567
June 30, 1945	524,542,502	471,351	1,495,233
June 30, 1946	813,914,990	672,667	2,080,167
June 30, 1947	1,068,436,162	811,019	2,484,503
June 30, 1948	1,381,459,261	931,467	2,847,991
June 30, 1949	1,830,318,858	1,097,705	3,352,603
June 30, 1950	2,205,470,314	1,214,702	3,688,969
June 30, 1951	2,427,204,114	1,286,127	3,896,824
June 30, 1952	2,592,629,925	1,317,279	4,034,334
June 30, 1953	2,730,009,085	1,351,297	4,195,732
June 30, 1954	2,885,932,099	1,387,441	4,367,045
June 30, 1955	3,050,119,414	1,411,765	4,546,465
June 30, 1956 (est.)	3,227,704,858	1,441,765	4,716,465
June 30, 1957 (est.)	3,408,204,858	1,471,765	4,886,465

Table No. II (cumulative figures)

Date	Funds		Miles Energized	Consumers Served a/	Total KWH Billed (Annual)	
	Advanced					
June 30, 1936	\$	823,262	400	693	b/	
June 30, 1937		11,864,836	8,000	19,611	b/	
June 30, 1938		60,040,810	41,736	104,528	b/	
June 30, 1939		122,337,824	115,230	268,000	b/	
June 30, 1940		221,287,287	232,978	549,604	311,479,000	
June 30, 1941		296,395,142	307,769	779,561	566,422,777	
June 30, 1942		354,616,010	369,129	981,193	893,461,286	
June 30, 1943		369,152,582	381,747	1,041,821	1,460,460,571	
June 30, 1944		387,630,670	397,861	1,152,031	1,791,607,706	
June 30, 1945		427,366,738	424,072	1,287,347	2,066,121,706	
June 30, 1946		514,619,814	474,837	1,549,057	2,185,149,697	
June 30, 1947		704,705,701	546,781	1,843,351	2,861,024,042	
June 30, 1948		950,941,658	666,156	2,263,869	4,016,273,673	
June 30, 1949		1,272,228,526	839,685	2,778,180	5,474,001,598	
June 30, 1950		1,558,887,178	1,018,336	3,251,787	6,973,694,936	
June 30, 1951		1,827,017,836	1,134,498	3,547,323	8,737,816,038	
June 30, 1952		2,054,591,865	1,210,473	3,769,426	10,603,286,075	
June 30, 1953		2,262,225,801	1,271,443	3,951,940	12,560,298,086	
June 30, 1954		2,443,754,333	1,315,630	4,109,223	14,947,103,217	
June 30, 1955		2,600,496,268	1,348,069	4,187,825	15,700,000,000	
June 30, 1956 (est.)		2,760,496,268	1,383,000	4,313,000	17,000,000,000	
June 30, 1957 (est.)		2,920,496,268	1,418,000	4,438,000	18,500,000,000	

a/ This item was formerly headed "Consumers Connected". The change is a result of a revised definition of a consumer as reported by REA borrowers. Figures are on the former basis through June 30, 1954, and on the new basis beginning with the report for June 30, 1955. The change resulted in a downward adjustment in the national total of about 60,000 chiefly through elimination of idle services.

b/ Not available.

to get back on a sound financial operating basis. Financial soundness of some borrowers have been further improved in such ways as encouraging them to extend service more rapidly, thus realizing their full revenue potential. Work with individual borrowers is carried out on a highly selective basis of need.

Relations with the telephone industry. There has been a more favorable attitude on the part of the larger independent telephone companies to REA financing during the year. This development is encouraging larger existing companies to do the job and it brings qualified, experienced organizations, with the nucleus of a system for serving an area, into the program. With these borrowers it is possible to retain a high percentage of existing plant and to use REA loan funds to the maximum for new construction, rather than for refinancing and acquisitions.

1956 Telephone Program

Lending Activities

Loans. It is expected that loans will total about \$80 million for the fiscal year 1956. It is estimated that these loans will provide for extending service to about 63,000 presently unserved rural people, and improving the service of about 63,000 existing subscribers through the improvement of about 4,000 miles of line and construction of about 38,000 miles of new line. Cumulative loans through 1956 will provide new or improved service to about 642,000 subscribers.

Construction Activities

Construction completed and subscribers served. Construction activity is expected to increase sharply. It is estimated that 72 borrowers will cut over their exchanges in 1956, bringing total exchange cutovers to 230; that 22,000 miles of new lines will be built, bringing the cumulative total to 65,269 miles of new line; that 1,000 miles of line will be rebuilt, bringing the total to 3,229 miles; and that 35,000 subscribers will get new service and 34,000 will get improved service during the year. It is estimated that by the end of 1956, about 217,000 rural subscribers will have received new or improved service through rural telephone loans.

Advance of funds. Advances are estimated at \$55 million in 1956, an increase of more than \$15 million over the 1955 rate.

Expedition of construction and new developments. The requirement for completion of the area coverage design prior to the granting of a loan is speeding up the rate of construction. The full benefits of the thorough revision of engineering procedures undertaken late in 1954 will be fully realized in the 1956 fiscal year.

Manufacturers are beginning to shelf stock components for REA financed central offices and are steadily gaining more knowledge of the basic types of equipment needed. They are becoming impressed with the fact that rural telephone systems constitute a sizeable market. Shelf stocking of basic components is providing a shorter delivery period - as short as three months in some cases - compared to as long as 18 months in the past.

Private manufacturers are being encouraged to develop and manufacture self supporting cable, economical small central offices, and various components necessary to adapt subscriber carrier to electric power lines - coupling capacitors, cables, etc. System components already developed for subscriber carriers on telephone lines are expected to increase the use of subscriber carrier using telephone lines as transmission media in the design and construction of telephone facilities.

Loan Security Activities

Debt service payments. The number of borrowers receiving advances will increase from 259 in 1955 to an estimated 350 in 1956. The cumulative amounts advanced will rise to about \$155 million by the end of the year, and the cumulative amounts due will rise from \$2.7 million through June 30, 1955, to about \$4.7 million through June 30, 1956.

Work with borrowers. The total number of borrowers, all requiring some loan security work, will rise from 351 on June 30, 1955 to an estimated 500 by June 30, 1956. Many of these borrowers have not yet achieved financial stability, they lack experience in the telephone field or with the operation of modern telephone equipment, and have difficulty due to location and revenue potential, in securing the best managerial talent. The staff available has been unable to devote as much attention to these problems as needed in the interest of loan security. During fiscal year 1956, REA expects to devote more time in this field and help secure and develop the best management available, encourage them to cooperate in setting up group training sessions, for which REA will furnish training aids and specialized advice, etc. Although the possibilities for increased revenue are not as great as in the electric program, borrowers will be advised on means by which they can quickly develop toward their maximum revenue point. Concentrated attention will be devoted to those borrowers which are delinquent or experiencing an adverse trend to enable them to realize the maximum economies in their operations.

The cumulative figures presented in the following table show the progress of the rural telephone program since its inception in October, 1949:

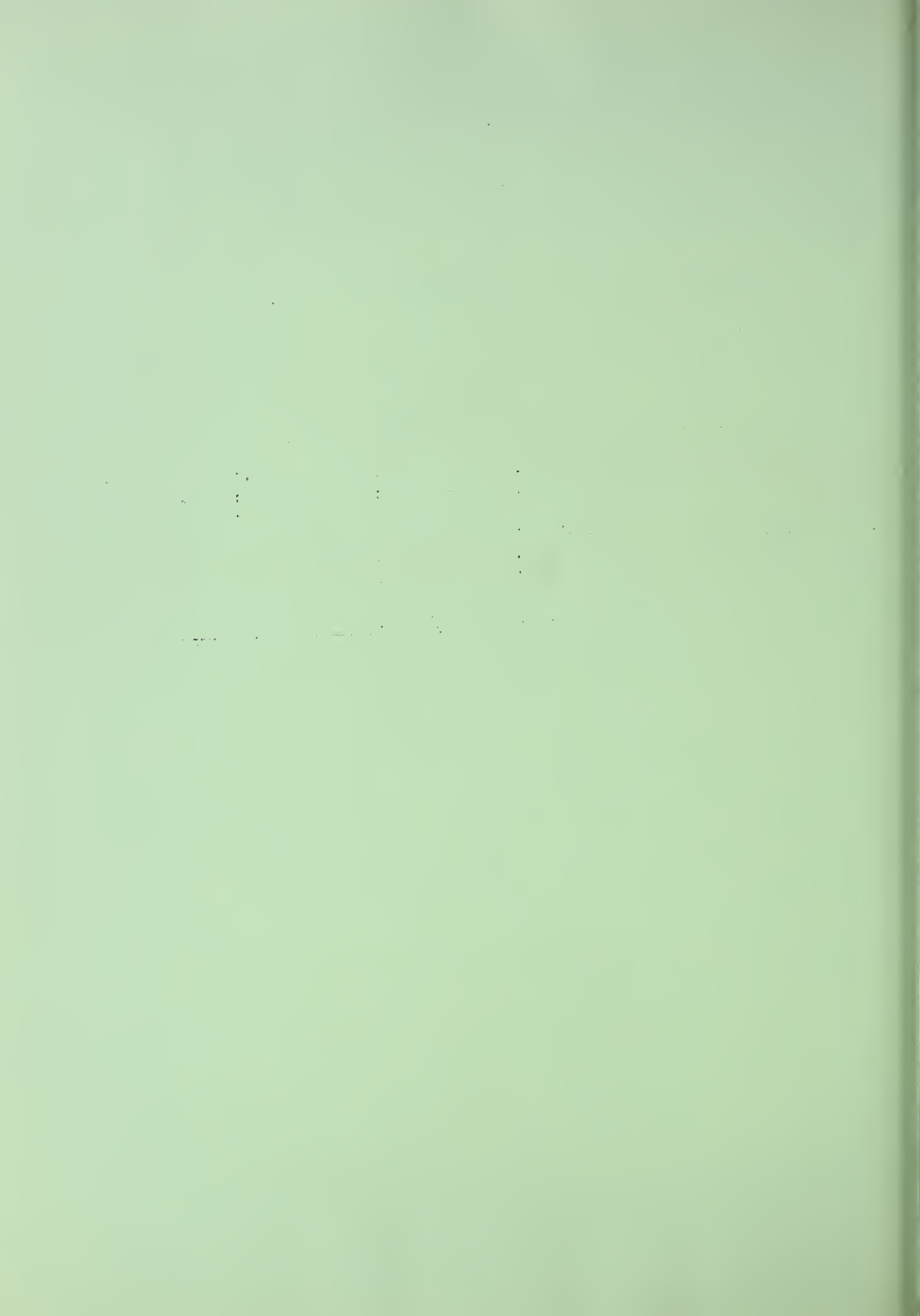
Table No. III (cumulative figures)

	End of Fiscal Year					
	Actual			Estimated		
	1952	1953	1954	1955	1956	1957
Net loans	\$82,260,718	\$118,144	\$184,578	\$234,180	\$313,180	\$392,180
Number of borrowers	190	219	279	351	500	635
Advances	\$7,797,217	\$31,662,021	\$60,102,148	\$99,889,134	\$154,889,134	\$224,889,134
<u>Loan Estimate</u>						
Miles of pole line to						
be improved	6,471	7,401	8,098	12,106	16,000	21,000
Miles of pole line to						
be constructed	66,092	80,936	117,478	145,645	184,000	223,000
Subscribers service to						
be improved	115,219	139,773	191,012	246,739	310,000	376,000
New subscribers to be						
connected	135,831	162,824	219,645	268,944	332,000	398,000
<u>Construction</u>						
Miles of pole line						
improved	88	516	1,498	2,229	3,200	4,700
Miles of new pole line						
constructed	116	7,727	25,043	43,269	65,300	91,300
Subscribers service						
improved	1,412	12,222	38,000	66,000	100,000	142,000
New subscribers						
connected	274	12,507	47,000	82,000	117,000	158,000

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955, were actually received or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	:	:	Estimated	:	Estimated	
	:	Obligations	:	obligations,	:	obligations,
	:	1955	:	1956	:	1957
Obligations Under Reimbursements	:		:		:	
From Governmental and Other	:		:		:	
Sources:	:		:		:	
	:		:		:	
Salaries and expenses	:	9,132	:	- -	:	- -



FARMERS' HOME ADMINISTRATION

Purpose Statement

The Farmers' Home Administration, established on November 1, 1946 pursuant to the Farmers' Home Administration Act of 1946, approved August 14, 1946, conducts the following activities:

1. Make direct and insured farm ownership loans to farm tenants, farm laborers, sharecroppers and other individuals for the purchase, enlargement or development, including farm housing and other building construction, of family-type farms. Direct loans at $4\frac{1}{2}$ percent interest amortized over 40 years, are made in amounts up to the normal value of a farm as improved based on longterm earning capacity values. Loans for the same purposes advanced by private lenders to eligible applicants are insured in amounts up to 90 percent of the normal value of the farm and necessary improvements for periods up to 40 years at $3\frac{1}{2}$ percent interest, plus one-half of 1 percent as an insurance premium and one-half of 1 percent toward administrative expenses. The Administration services the insured loans, and remits payments to the lenders.
2. Make production and subsistence loans to farmers and stockmen for farm operating expenses and for other farm needs, including the refinancing of indebtedness, and family subsistence. Loans are made up to \$7,000 for 1 to 7 years at 5 percent interest with a limit of \$10,000 on the total indebtedness of any farmer.
3. Make direct and insured soil and water conservation loans for the effective development and utilization of water supplies and for the improvement of farm land by soil and water conserving facilities and practices. Direct loans are made to farmers and associations at $4\frac{1}{2}$ percent interest for periods up to 20 years for individuals and 40 years for associations. Loans advanced by private lenders for the same periods of time and for the same purposes are insured at $3\frac{1}{2}$ percent interest, plus one-half of 1 percent as an insurance premium and one-half of 1 percent toward administrative expenses.
4. Make emergency loans to farmers and stockmen in designated areas where a disaster has caused a need for agricultural credit not readily available from commercial banks, cooperative lending agencies, the Farmers' Home Administration's regular loan programs, or other responsible sources. Production disaster and economic disaster loans are made at 3 percent interest for periods consistent with the ability of the borrower to repay, usually for one year. Special loans to established livestock producers are made at 5 percent interest for periods not exceeding three years. Loans may also be made at 5 percent interest to bona fide fur farmers but only for supplemental credit to those already indebted for prior loans.

Technical guidance in planning and carrying out sound farm operations is provided borrowers on the basis of their individual problems and needs. No loans are made to anyone who can secure adequate credit from other sources at reasonable rates. A local county committee of 3 (2 of whom must be farmers) is required to approve each applicant and each loan. In the case of farm ownership loans, this committee certifies to the normal longtime earning capacity value of the farm.

On July 1, 1955, the Administration was servicing the accounts of about 303,000 individual borrowers with outstanding indebtedness of \$962,000,000 principal and interest.

The Farmers' Home Administration maintains its central office in Washington with program activities decentralized to 41 State Offices (a few of which service two or more states), about 1,550 county offices serving all agricultural counties, and a Finance Office in St. Louis, Missouri. The Farmers' Home Administration on November 30, 1955 had 5,291 full-time employees, 202 of whom were in Washington, and the balance in the field, and 9,338 State and county committeemen who are part-time employees paid an average of 8 to 10 days a year.

	<u>Estimated Available, 1956</u>	<u>Budget Estimate, 1957</u>
Borrowing Authorizations:		
Farm ownership	\$19,000,000	\$19,000,000
Production and subsistence	137,500,000	140,000,000
Soil and water conservation	11,500,000	5,500,000
Appropriated funds:		
Salaries and expenses	<u>26,309,480</u>	<u>26,405,000</u>
Total	<u>194,309,480</u>	<u>190,905,000</u>

(a) Loan Authorizations
(Authorization to borrow from Treasury)

Appropriation Act, 1956	\$153,000,000
Supplemental borrowing authorization for 1956 (Supplemental Appropriation Act, 1956)	15,000,000
Base for 1957	168,000,000
Budget Estimate, 1957	164,500,000
Decrease	<u>-3,500,000</u>

SUMMARY OF INCREASES AND DECREASES, 1957

Increase in production and subsistence loans	+ 2,500,000
Decrease in soil and water conservation loans	- 6,000,000

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase or Decrease	1957 (estimated)
<u>Loan Authorizations</u>				
1. Farm ownership loans	\$18,999,200	\$19,000,000	- -	\$19,000,000
2. Production and subsistence loans	122,499,948	137,500,000	+\$2,500,000(1)	140,000,000
3. Soil and water conservation loans	4,021,727	5,500,000	- -	5,500,000
Unobligated balance	7,479,125	6,000,000	- 6,000,000(2)	- -
Total authorization or estimate	<u>a/ 153,000,000</u>	<u>b/ 168,000,000</u>	<u>- 3,500,000</u>	<u>164,500,000</u>

a/ In addition, unobligated balance of \$129,568 for farm housing loans available in 1955 from prior-year balance.

b/ In addition, unobligated balance of \$92,183 available from prior-year balance.

INCREASES AND DECREASES

(1) Increase of \$2,500,000 in the borrowing authorization for production and subsistence loans. There continues to be a considerable demand for production and subsistence loans which cannot be met from the amounts available each year. The increase of \$2,500,000 is intended for use in meeting a portion of this demand.

The Department has recently inaugurated a special program in selected counties in the Great Plains Area intended to reduce the hazards of farming resulting from periodic drought conditions. As a part of this program, the Farmers Home Administration makes loans to assist individual farmers to adjust farming operations as necessary to cope with the situation. The program in the Great Plains Area is one example of the increased need for production and subsistence loans and parallels the need which is now being met for many farm families throughout the country who require operating credit and technical guidance in adjusting their farming operations so as to utilize their labor

and land resources more efficiently. Applicants securing production and subsistence loans are able to make substantial improvements in the efficiency of their operations and in their standard of living. The net worth of borrowers paying their loans in full is increased on the average by about 71 percent over the average 4-year period their loan is outstanding.

It is estimated that about 850 loans to new applicants can be made with the increase of \$2,500,000.

(2) Decrease of \$6,000,000 in the soil and water conservation loan authorization due to the adequacy of insured loans. Since the inauguration of the insured soil and water conservation loan program in September 1954, the need for direct soil and water conservation loan funds has been reduced materially. The borrowing authorization for soil and water conservation loans in 1956 is \$11,500,000. However, it is expected that only about \$5,500,000 of this amount will be obligated during the year. This situation is comparable to 1955 when \$11,500,000 was available and only \$4,021,727 was obligated. The Budget Estimate of \$5,500,000 for 1957 is the same as the estimated obligations for 1956 in anticipation of a continuing reduced need for direct loan funds.

The following is a comparison of the actual and estimated amount of soil and water conservation direct and insured loans in fiscal years 1955, 1956 and 1957.

	<u>Actual 1955</u>	<u>Estimated 1956</u>	<u>Estimated 1957</u>
Direct loans	\$4,021,727	\$5,500,000	\$5,500,000
Insured loans	<u>15,469,379</u>	<u>25,000,000</u>	<u>25,000,000</u>
Total	<u>\$19,491,106</u>	<u>\$30,500,000</u>	<u>\$30,500,000</u>

There is no limitation on the amount of a loan, as related to the appraised value of the farm, comparable to the 90 percent limitation on insured farm ownership loans. Therefore, most applicants, otherwise eligible, can qualify for insured loans as well as for direct loans. It has been necessary to make some direct loans to associations because local laws often make insured loans inappropriate. Also, in some areas like Puerto Rico, it has not been possible to secure the participation of private lenders. The Farmers Home Administration has been able to secure the participation of private lenders in the insured loan programs in ample amounts in most areas. Despite the difficulties being encountered because of the relatively low $3\frac{1}{2}$ percent interest return to the lender under current conditions, it is believed that the very active efforts being put forth probably will assure a supply of funds from private lenders to insure most of the loans that can be approved. The direct loan estimate of \$5,500,000 can be used when private lender participation cannot be secured.

CHANGES IN LANGUAGE

The estimates include proposed changes in language as follows (new language underscored; deleted matter enclosed with brackets):

- To carry into effect **** the provisions of title V of the
- 1 Housing Act of 1949 [(42 U.S.C. 1471-1483)], as amended [by the Housing Act of 1952 (Public Law 531, approved July 14, 1952)]
 - 2 (42 U.S.C. 1471-1483), relating to financial assistance for farm housing; ****

LOAN AUTHORIZATIONS

For loans (including payments in lieu of taxes and taxes under section 50 of the Bankhead-Jones Farm Tenant Act, as amended, **** title II of the Bankhead-Jones Farm Tenant Act, as amended [~~\$122,500,000~~] \$140,000,000; the act of August 28, 1937, as amended, [~~\$11,500,000~~] \$5,500,000:
Provided **

- 3 [For an additional amount for "Loan authorizations", for loans under title II of the Bankhead-Jones Farm Tenant Act, as amended, \$15,000,000: Provided, That not to exceed the foregoing amount shall be borrowed in one account from the Secretary of the Treasury in accordance with the provisions set forth under this head in the Department of Agriculture Appropriation Act, 1952.]

The first two proposed changes in language are for the purpose of simplifying the reference to the Housing Act of 1949, as amended.

The third change deletes language contained in the Supplemental Appropriation Act, 1956, authorizing the borrowing of an additional \$15,000,000 for fiscal year 1956. This language is not needed in the 1957 Appropriation Act.

(b) Salaries and Expenses

Appropriation Act, 1956	\$24,500,000
Supplemental appropriation for 1956 (Supplemental Appropriation Act, 1956)	350,000
Proposed supplemental, 1956, for pay act costs	1,470,000
Advanced from Farm Tenant-Mortgage Insurance Fund	420,000
Activities transferred in the 1957 estimates to "Salaries and expenses, Office of the Secretary of Agriculture" for personnel investigation work	- 10,520
Base for 1957	<u>26,729,480</u>
Budget Estimate, 1957:	
Direct Appropriation	\$26,405,000
Advanced from Farm Tenant-Mortgage Insurance Fund	<u>525,000</u>
Total Budget Estimate	26,930,000
Increase	<u>+ 200,520</u>

SUMMARY OF INCREASES, 1957

For making and servicing additional direct and insured loans ..	+ 95,520
Increase in advances from Farm Tenant-Mortgage Insurance Fund in connection with making and servicing insured loans	+ 105,000

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase	1957 (estimated)
Administration of direct and insured loan program	\$24,194,503	\$26,729,480	+\$200,520(1)	\$26,930,000
Unobligated balance ...	25,477	- -	- -	- -
Total pay act costs (P.L. 94)	[416,497]	[1,516,000]	[+12,000]	[1,528,000]
Total available or estimate	24,219,980	26,729,480	+200,520	26,930,000
Advanced from "Farm Tenant-Mortgage Insurance Fund"	310,000	420,000	+105,000	525,000
Subtotal	<u>23,909,980</u>	<u>26,309,480</u>	<u>+ 95,520</u>	<u>26,405,000</u>
Transfer in the 1957 estimates to "Salaries and Expenses, Office of the Secretary of Agriculture"	+ 10,020	+10,520		
Transferred from "Payments to States, Hawaii, Alaska and Puerto Rico, Extension Service"	-200,000			
*Agricultural Adjustment Programs, Commodity Stabilization Service":	-170,000			

(Continued on next page)

Project	1955	1956 (estimated)
Proposed supplemental due to pay increases	- -	-\$1,470,000
Total appropriation or estimate	\$23,550,000	24,850,000

INCREASES

(1) The increase of \$200,520 for Salaries and Expenses is composed of:

(a) \$95,520 for making and servicing insured farm ownership and soil and water conservation loans and the additional production and subsistence loans estimated for 1957,

(b) \$105,000 from receipts of the Farm Tenant-Mortgage Administrative Fund available for making and servicing both types of insured loans.

The Farmers' Home Administration is confronted with a substantial continuing workload as a result of the inauguration of the direct and insured soil and water conservation program and the stepped-up volume of insured farm ownership loans. The workload in 1957 for servicing loans outstanding is expected to be about 6 percent greater than in 1956. Most of the real estate type loans are long-term loans, having maturities of 40 years in the case of farm ownership loans and up to 20 years for soil and water conservation loans to individuals. While most of the loans will be fully paid long before the final maturity date, either through payment in full or through refinancing with a conventional lender, the workload involved in the county office during the first few years is substantial.

The success of the borrowers is directly related to the amount of time the county supervisors have available for servicing the loan, including the development and execution, with the borrower, of sound farm and home plans. In order to give the required technical assistance needed by most of the borrowers and to give adequate attention to the collection of balances, it is necessary that in some instances that county office staff be increased to handle the added workload.

It is anticipated that the additional \$2,500,000 in production and subsistence loans can be made without increasing personnel except in a few offices where there may be a concentration of loans created by local and national efforts in connection with the Department's current efforts to solve the problems of low-income farmers. There will be some additional county committee expense.

CHANGE IN LANGUAGE

The estimates include proposed changes in language as follows (new language underscored; deleted matter enclosed with brackets):

SALARIES AND EXPENSES

For making, servicing, and collecting loans and insured mortgages, *** and other administrative expenses, [\$24,500,000] \$26,405,000, together with a transfer of not to exceed [\$450,000]

- 1 \$550,000 of the fees ****

The change in language proposed to increase the amount authorized to be transferred to this appropriation from the Farm Tenant Mortgage Insurance Administrative Fund from \$450,000 to \$550,000. Receipts to this fund in 1956, available for administrative expenses in 1957, are estimated at about \$525,000, but the amount of \$550,000 has been included in the language to provide for possible increased activity beyond present estimates. In such event, administrative expense requirements to service the added loans would necessarily increase.



STATUS OF PROGRAM

Direct and Insured Farm Ownership Loans

A total of \$19,000,000 was authorized in 1955 for farm ownership loans. Of the total amount authorized, \$2,512,400 was allocated exclusively for loans on reclamation projects. The remaining portion, consisting of \$16,487,600, was made available among the states and territories in accordance with the statutory formula for the distribution of funds based on farm population and prevalence of tenancy.

The Appropriation Act for 1956 provides for borrowing \$19,000,000 from the Secretary of the Treasury for direct farm ownership loans. Of this amount, not more than \$5,000,000 is authorized to be distributed to states and territories without regard to farm population and prevalence of tenancy for loans on reclamation projects and to entrymen on unpatented public land. The preliminary allocation for the two purposes is \$16,000,000 under the formula and \$3,000,000 outside the formula.

Public Law 521, approved July 22, 1954, amended Title I of the Bankhead-Jones Farm Tenant Act to provide for a flexible interest rate of not to exceed 5 percent for direct loans and 4 percent to the lenders for insured loans. In accordance with these provisions, the interest rate on direct loans has been established at $4\frac{1}{2}$ percent, and on insured loans at $3\frac{1}{2}$ percent to the lender plus one-half of 1 percent as an insurance premium and one-half of 1 percent as an administrative expense charge. Public Law 273, approved August 9, 1955, further amends Title I of the Bankhead-Jones Farm Tenant Act to provide for the mortgage to run to the Government instead of the lender in the case of insured loans. The interest rate applicable under Public Law 521 made the insured mortgage program more attractive to lenders. The provisions of Public Law 273 will further facilitate the insured mortgage program.

The applications for farm ownership loans increased 37 percent in the 1955 fiscal year over the 1954 fiscal year. At the end of the 1955 fiscal year approximately 18,218 applications were on hand.

1. Loans:

A. Direct Loans

Since inception of the program in 1938 to June 30, 1955, approximately 63,593 loans for more than \$437,496,637 have been made. This number and amount does not include non-cash loans previously made in the liquidation of rural rehabilitation project properties which are also included as farm ownership loans on the loan accounts of the Administration. In the 1955 fiscal year, initial loans were made to 1,466 families in the amount of \$17,151,687, including 152 loans in the amount of \$2,426,196 made to settlers on reclamation projects. Subsequent loans to existing borrowers

accounted for the balance of approximately \$1,847,513. In accordance with the veterans' preference provision of the Farmers Home Administration Act of 1946, 1,409 of the 1,466 initial loans were made to veterans.

Direct loan activity under the distribution formula and for reclamation projects is shown on the following tables:

Initial Loans Under Distribution Formula

Fiscal Year	Initial Veteran Loans		Percent Loans to Veterans (Number)	Total All Initial Loans	
	Number	Amount		Number	Amount
1947	3,012	\$23,549,776	55	5,489	\$41,682,243
1948	1,448	10,524,445	79	1,829	13,422,448
1949	1,460	10,827,510	78	1,867	13,739,182
1950	1,685	13,374,443	99	1,705	13,534,927
1951	1,734	15,661,003	97	1,793	16,160,877
1952	1,344	13,853,283	98	1,369	14,045,461
1953	1,251	13,668,515	98	1,275	13,865,989
1954	1,275	13,894,225	98	1,306	14,162,565
1955	1,293	14,551,301	98	1,314	14,725,491
1956 (est.)	1,265	14,112,000	98	1,290	14,400,000
1957 (est.)	1,265	14,112,000	98	1,290	14,400,000

Initial Loans on Reclamation Projects

1951	150	\$ 1,692,142	67	223	\$ 2,556,722
1952	105	1,376,934	64	164	2,126,704
1953	102	1,562,084	71	144	2,167,504
1954	150	2,344,645	76	197	3,060,375
1955	116	1,887,146	76	152	2,426,196
1956 (est.)	135	2,100,000	75	180	2,800,000
1957 (est.)	135	2,100,000	75	180	2,800,000

B. Insured Loans:

During the 1955 fiscal year, insured loan activity totaled approximately \$31,933,200. In the 1956 fiscal year, it is expected that the amount of loans advanced by private lenders and insured under this program will total \$55,000,000. Insured loan activity since 1948 and estimated for the 1956 and 1957 fiscal years is shown in the following table:

<u>Fiscal Year</u>	<u>Initial Veteran Loans</u>		<u>Percent Loans to Veterans (Number)</u>	<u>Total All Initial Loans</u>	
	<u>Number</u>	<u>Amount</u>		<u>Number</u>	<u>Amount</u>
1948	58	\$ 357,550	17	338	\$ 2,412,837
1949	316	2,020,910	28	1,149	7,937,241
1950	695	4,917,886	32	2,191	16,579,690
1951	641	4,871,340	30	2,150	17,555,650
1952	238	2,031,770	22	1,097	10,380,285
1953	280	2,837,292	27	1,041	10,505,566
1954	217	2,474,147	24	887	9,666,564
1955	905	10,100,532	31	2,909	31,667,227
1956 (est.)	1,515	16,500,000	30	5,050	55,000,000
1957 (est.)	1,515	16,500,000	30	5,050	55,000,000

See Tables I, II, III and IV for loan distribution by states.

Total Direct and Insured Farm Ownership Loans

<u>Fiscal Year</u>	<u>Direct Loans</u>	<u>Insured Loans</u>	<u>Total Loans</u>
1948	\$14,053,888	\$ 2,412,837	\$16,466,725
1949	14,755,530	7,937,241	22,692,771
1950	14,790,348	16,586,860	31,377,208
1951	21,721,296	17,596,050	39,317,346
1952	18,839,377	10,493,008	29,332,385
1953	18,871,453	10,681,721	29,553,174
1954	19,312,523	9,769,127	29,081,650
1955	18,999,200	31,933,200	50,932,400
1956 (est.)	19,000,000	55,000,000	74,000,000
1957 (est.)	19,000,000	55,000,000	74,000,000

2. Use of Loan Funds: Continued emphasis is being given to the use of both direct and insured loan funds for enlarging and developing inadequate and underdeveloped farms. In addition to the tenant purchase, farm development and farm enlargement loans, a new designation "building improvement loans" was established during the 1955 fiscal year. These loans were made to farm owners who qualified under the terms of Title I of the Bankhead-Jones Farm Tenant Act, as amended, and who needed assistance only for the construction and improvement of dwellings and other farm buildings. Except in unusual circumstances, technical advice and assistance in farm and home plans was not given to these building improvement borrowers. This type of loan will be continued during the 1956 fiscal year and it is expected that about 1,170 direct and insured building improvement loans totaling \$9,300,000 will be made. It is also expected that these will be primarily insured loans.

3. Loan Repayments:

A. Direct Loans

From the inception of the farm ownership program in 1938 through

March 31, 1955, a total of 69,918 families had been advanced \$460,815,209 (these figures include the number and value of non-cash loans) for the purchase, enlargement and development of farms. Principal payments of \$264,096,552 and interest payments of \$75,214,344 had been made. In addition, principal write-offs totaled \$1,341,168 and judgments were \$363,501. Interest write-offs were \$107,708 and judgments were \$35,878. As of March 31, 1955, cumulative scheduled installments of \$74,202,572 were due from 32,427 individuals with outstanding loan balances, but regular principal and interest payments made on these installments were \$82,330,222 which was 11 percent, or \$8,127,650 more than required on a schedule amortization basis. An additional \$9,535,677 in refunds and extra payments not applied to scheduled installments were credited to these borrowers' accounts. On the same date, 18,579 borrowers were \$12,277,278 ahead of schedule, an average of \$661 each; 7,219 were on schedule; and 6,629 were behind schedule \$4,149,628, an average of \$626 each.

A total of 37,491 of the 69,918 families who had received loans had paid their loans in full as of March 31, 1955. Of this number 23,440, or about 63 percent, continued to operate the farms acquired or improved through this program. The remaining 14,051 fully satisfied their accounts but no longer operated the farms. See Table V for distribution by states.

.B. Insured Loans

As of March 31, 1955, \$86,402,729 had been advanced under the insured mortgage program to 9,825 farm families for the purchase, enlargement and development of farms. Payments by insured mortgage borrowers totaled \$23,047,556 as of the same date. Of this amount, \$13,573,809 represented principal payments, \$6,858,659 payments on interest, and \$2,615,088 payments to the mortgage insurance fund. As of March 31, 1955, 1,049 insured mortgage borrowers had paid their loans in full. Of those with unpaid balances, 4,253 were ahead of schedule, 3,323 were on schedule, and 1,200 were behind schedule. See Table VI for distribution by states.

4. Progress of Borrowers: Records from 2,410 borrowers with accounts outstanding in 1955 who received loans in 1949 showed gross cash income increasing since the year before acceptance from \$3,628 to \$5,978. Net worth of these borrowers increased from \$5,292 to \$8,654, and value of livestock and equipment increased from \$3,395 to \$6,078.

Table I - Farm Ownership: Total Loan Applications and Number of Direct Loans Made and Insured Commitments, 1954 and 1955 Fiscal Years and Cumulative From Inception of Program

Table I - Farm Ownership: Total Loan Applications and Number of Direct Loans Made and Insured Commitments, 1954 and 1955 Fiscal Years and Cumulative From Inception of Program

Note: This table includes Tenant Purchase, Farm Enlargement, and Building Improvement loans from Federal funds and such loans made by private lenders which are insured by the Government.

1/ Average amount of initial and subsequent loans.

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Table II - Farm Ownership: Loan Applications From Veterans Only, Number of Direct Initial Loans Made and Insured Commitments, and Average Amount, 1954 and 1955 Fiscal Years and Cumulative From 1945

State and territory	1954 fiscal year						1955 fiscal year						Direct loans made 1945 through 1955 fiscal years						Insured commitments 1945 through 1955 fiscal years																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
	Number of loan applications			Insured commitments			Number of loan applications			Insured commitments			Direct loans made			Insured commitments			Direct loans made			Insured commitments																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
	On hand beginning of year	Received during year	Total for consideration	Average amount	Number	Average amount	On hand beginning of year	Received during year	Total for consideration	On band end of period	Average amount	Number	On hand beginning of year	Received during year	Total for consideration	On band end of period	Average amount	Number	On hand beginning of year	Received during year	Total for consideration	On band end of period	Average amount	Number																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
U. S. Total.....	10,159	14,931	25,090	1,425	11,396	217	11,402	9,705	18,422	28,127	9,616	1,409	11,667	905	11,161	17,103	17,103	3,350	8,904	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105	7,115	105



UNITED STATES DEPARTMENT OF AGRICULTURE
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Table III - Farm Ownership Direct Loan Program: Use of Funds - Number of Direct Loan Borrowers, Amount Loaned, Including Estimated Amount Furnished by the Borrower, 1955 Fiscal Year

State and territory	Loans to new borrowers											Total amount of loans
	Number	Amount of funds			Use of funds					Amount of loans to prior year borrowers		
		Loans	Furnished by borrower	Total	Average amount of loan	Purchase of farm and incidental costs	Land improvement	Buildings other than dwellings	Dwellings, new and repair		Refinancing	
1	2	3	4	5	6	7	8	9	10	11	12	
U. S. Total	1,466	\$17,151,687	\$337,582	\$17,489,269	\$11,700	\$8,869,394	\$1,252,617	\$1,552,098	\$2,914,339	\$2,870,861	\$18,999,200	
Percent distribution...			100.0%									
Alabama.....	81	690,090	18,605	708,695	8,520	435,880	21,505	26,465	130,670	94,175	748,221	
Arizona.....	3	57,200	3,650	60,850	19,067	25,965	18,620	0	12,365	3,900	58,556	
Arkansas.....	39	257,845	10,870	268,715	6,611	103,185	30,485	11,685	56,220	67,140	475,793	
California.....	19	258,456	6,125	264,581	13,603	48,500	11,955	97,860	12,091	94,175	282,015	
Colorado.....	6	86,100	1,100	87,200	14,350	63,295	4,000	5,480	4,325	10,100	108,777	
Connecticut.....	0	0	0	0	0	0	0	0	0	0	2,306	
Delaware.....	3	47,900	1,200	49,100	15,967	33,565	1,640	2,525	2,170	9,200	47,900	
Florida.....	7	83,495	35	83,530	11,928	37,055	4,470	3,590	32,695	5,160	99,061	
Georgia.....	52	614,140	2,870	617,010	11,810	300,240	58,330	39,770	136,395	82,305	777,547	
Idaho.....	80	1,257,260	904	1,258,164	15,716	205,203	144,615	199,900	563,475	144,751	1,295,044	
Illinois.....	35	472,395	19,326	491,721	13,497	218,434	53,910	34,750	20,000	164,627	474,718	
Indiana.....	17	206,065	5,095	211,160	12,827	158,987	11,804	11,940	12,000	11,513	207,718	
Iowa.....	37	616,715	12,060	628,775	16,663	467,535	28,419	32,600	54,120	50,767	672,152	
Kansas.....	26	354,815	6,429	361,244	13,647	261,111	12,718	28,422	19,513	39,148	409,584	
Kentucky.....	34	449,645	17,535	467,180	13,225	285,640	35,235	36,810	20,070	89,425	506,556	
Louisiana.....	41	365,925	5,035	370,960	8,925	81,052	42,382	21,718	122,920	102,888	435,045	
Maine.....	12	88,305	1,645	89,950	7,359	49,306	1,750	14,955	20,089	11,973	100,278	
Maryland.....	8	85,950	2,305	88,255	10,744	65,415	1,950	15,290	2,800	7,500	93,450	
Massachusetts.....	1	15,000	0	15,000	15,000	9,490	1,245	3,270	995	15,000	15,000	
Michigan.....	8	97,185	0	97,185	12,148	35,225	5,460	12,205	4,305	39,990	133,777	
Minnesota.....	48	474,350	8,898	483,248	9,882	297,499	6,750	70,921	22,445	85,633	503,995	
Mississippi.....	162	1,248,690	13,325	1,262,015	7,708	670,755	59,760	67,475	324,315	139,710	1,344,224	
Missouri.....	77	848,725	8,640	857,365	11,022	469,515	73,400	65,555	77,865	171,030	89,000	
Montana.....	5	69,480	7,695	77,175	13,896	34,180	2,130	3,400	25,025	12,440	97,819	
Nebraska.....	24	378,745	19,267	398,012	15,781	339,839	11,240	14,384	22,249	10,300	394,123	
Nevada.....	1	17,700	0	17,700	17,700	11,350	900	100	500	1,762	19,462	
New Hampshire.....	4	43,800	0	43,800	10,950	16,665	3,000	8,000	1,935	14,200	50,618	
New Jersey.....	6	71,290	11,790	83,080	11,882	44,105	500	16,125	1,200	11,569	82,859	
New Mexico.....	10	142,525	1,542	144,067	14,252	71,545	18,227	7,125	31,980	15,190	13,678	
New York.....	18	182,665	18	182,683	10,148	129,583	2,275	17,750	1,310	31,765	215,422	
North Carolina.....	101	1,099,431	15,145	1,114,576	10,885	639,011	93,526	81,097	165,615	135,327	1,174,571	
North Dakota.....	23	370,360	1,620	371,980	16,103	233,460	4,980	56,465	32,590	44,525	391,181	
Ohio.....	23	275,775	12,955	288,730	11,990	205,720	11,090	31,355	32,300	7,453	283,228	
Oklahoma.....	21	263,735	7,069	270,804	12,959	218,565	1,290	13,713	18,326	104,222	367,957	
Oregon.....	12	166,640	2,500	169,140	13,887	106,940	2,315	19,240	39,840	58,395	194,193	
Pennsylvania.....	13	143,640	1,230	144,870	11,049	95,069	4,709	19,397	1,863	36,774	180,414	
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0	
South Carolina.....	69	590,120	15,415	605,535	9,079	271,548	27,795	34,790	149,300	122,112	43,909	
South Dakota.....	27	419,734	2,250	421,984	15,546	335,601	29,977	28,783	25,209	29,394	449,586	
Tennessee.....	53	561,520	22,240	583,760	10,595	326,950	33,790	37,120	68,295	97,645	577,006	
Texas.....	63	851,650	34,898	886,548	13,518	533,865	33,266	44,740	141,696	132,981	916,122	
Utah.....	17	245,035	3,525	248,560	14,414	136,540	3,525	21,995	36,515	47,985	290,949	
Vermont.....	1	10,000	0	10,000	10,000	9,210	500	90	200	0	20,866	
Virginia.....	72	253,325	0	253,325	13,333	135,110	28,705	20,260	17,895	51,395	277,632	
Washington.....	19	1,173,751	6,105	1,179,856	16,302	128,715	282,144	147,278	368,872	252,847	1,202,635	
West Virginia.....	16	172,130	25	172,155	10,758	91,765	14,270	10,825	7,455	47,840	191,693	
Wisconsin.....	42	497,545	4,150	501,695	11,846	330,370	19,630	65,805	10,985	74,905	524,452	
Wyoming.....	14	194,745	5,920	200,665	13,910	50,790	11,735	21,815	44,785	71,540	222,106	
Alaska.....	1	15,000	0	15,000	15,000	9,025	2,700	2,700	575	0	6,838	
Hawaii.....	5	70,135	14,311	84,446	14,027	43,077	0	9,575	31,794	0	8,147	
Puerto Rico.....	12	88,960	2,400	91,360	7,413	27,375	400	9,600	48,000	5,985	121,217	
Virgin Islands.....	2	26,000	0	26,000	13,000	7,509	4,341	4,150	10,000	0	16,445	

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Table IV - Farm Ownership Insured Loans: Use of Funds - Number of Insured Loan Borrowers Amount of Insured Commitments, Including Estimated Amount Furnished by the Borrower, 1955 Fiscal Year

State and territory	Number	Loans to new borrowers											Total amount of loans
		Amount of funds			Use of funds					Amount of loans to prior year borrowers			
		Loans	Furnished by borrower	Total	Average amount of loan	Purchase of farm and incidental costs	Land improvement	Buildings other than dwellings	Dwellings, new and repair		Refinancing		
1	2	3	4	5	6	7	8	9	10	11	12		
U. S. Total:	2,909	\$31,667,227	\$2,087,614	100.0%	\$10,886	\$15,583,627	\$1,963,790	\$3,076,659	\$5,132,402	\$7,998,363	\$65,973	\$31,933,200	
Percent distribution...													
Alabama.....	139	1,125,896	90,783	1,216,679	8,100	589,634	34,008	48,942	295,630	248,465	3,450	1,129,346	
Arizona.....	15	276,905	4,211	281,116	18,594	39,508	104,890	15,451	65,833	57,474	0	278,905	
Arkansas.....	65	417,370	7,985	425,355	6,421	80,510	44,560	23,475	124,840	151,970	1,450	418,880	
California.....	25	379,815	5,085	384,900	15,193	35,435	51,090	84,515	65,395	148,465	16,960	396,775	
Colorado.....	16	203,515	3,800	207,315	12,720	116,569	20,825	7,935	47,130	57,256	0	203,515	
Connecticut.....	2	19,925	0	19,925	9,962	200	4,270	1,250	800	13,305	0	19,925	
Delaware.....	43	33,160	1,525	34,685	11,053	15,485	1,340	4,760	700	12,400	0	33,160	
Florida.....	148	1,649,680	68,123	1,717,803	10,059	82,331	20,759	55,615	160,200	101,460	5,400	1,653,440	
Georgia.....	164	1,649,680	68,123	1,717,803	10,059	82,331	20,759	55,615	160,200	101,460	5,400	1,653,440	
Illinois.....	53	687,708	28,552	716,260	12,976	284,035	57,865	57,495	118,435	196,430	11,665	702,573	
Indiana.....	48	599,590	35,640	635,230	12,491	224,886	67,420	39,635	60,950	242,339	0	599,590	
Iowa.....	37	625,010	65,485	690,495	16,892	471,050	37,443	38,079	107,630	7,957	0	632,967	
Iowa.....	112	1,885,900	202,977	2,088,877	16,838	1,446,723	96,750	141,990	49,953	353,461	7,957	1,897,211	
Kansas.....	60	784,160	55,100	839,260	13,069	458,931	41,862	61,953	50,857	225,657	13,752	797,942	
Kentucky.....	39	438,598	43,217	481,815	11,246	241,405	34,798	32,844	91,548	81,220	0	438,598	
Louisiana.....	63	564,955	17,995	582,950	8,920	148,467	71,215	22,680	200,450	137,048	9,443	571,368	
Maine.....	67	492,852	17,793	510,645	7,356	111,663	3,485	216,499	24,815	154,183	7,009	499,861	
Maryland.....	13	152,851	10,219	163,070	11,758	84,322	628	28,986	8,274	40,860	0	152,851	
Massachusetts.....	1	13,150	0	13,150	13,150	0	2,000	0	0	11,000	0	13,150	
Michigan.....	86	1,036,155	66,275	1,102,430	12,048	495,464	31,755	127,679	94,035	353,497	26,680	1,062,835	
Minnesota.....	45	501,546	66,705	568,251	11,145	388,060	5,525	61,239	24,556	88,871	0	501,546	
Mississippi.....	213	1,334,453	51,004	1,385,457	6,265	371,034	74,370	67,305	515,145	357,603	3,430	1,337,683	
Missouri.....	208	2,063,354	134,712	2,198,066	9,920	1,048,445	201,365	168,065	208,045	553,969	16,627	2,079,981	
Montana.....	15	222,205	17,415	239,380	14,814	132,360	4,560	9,603	37,292	55,295	0	222,205	
Nebraska.....	22	298,110	34,765	332,875	13,550	248,625	17,119	15,605	10,986	39,760	23,290	321,400	
Nevada.....	4	55,050	0	55,050	13,762	12,600	5,500	10,250	1,750	24,950	0	55,050	
New Hampshire.....	2	21,550	0	21,550	10,775	10,240	1,450	4,010	5,400	24,400	0	24,400	
New Jersey.....	17	206,083	6,779	212,862	12,123	75,707	9,450	36,765	4,710	86,230	0	206,083	
New Mexico.....	53	761,890	43,452	805,342	14,375	386,508	48,236	54,435	134,947	181,216	0	761,890	
New York.....	84	769,851	70,123	839,974	9,165	511,058	15,575	112,181	22,170	178,990	11,735	781,586	
North Carolina.....	169	1,646,685	50,976	1,697,661	9,744	457,791	156,054	129,828	437,053	516,935	2,965	1,649,610	
North Dakota.....	140	2,050,899	143,717	2,194,616	12,445	1,099,213	20,005	297,335	402,400	375,663	0	2,050,899	
Ohio.....	29	361,760	26,755	388,535	12,475	248,500	17,215	26,325	12,465	84,030	11,750	373,530	
Oklahoma.....	61	738,177	51,118	789,295	12,101	482,387	16,545	52,302	118,634	119,427	10,725	748,902	
Oregon.....	29	405,230	9,115	414,345	13,973	116,115	20,055	47,585	28,655	201,935	0	405,230	
Pennsylvania.....	75	746,085	61,271	807,356	9,948	411,079	38,601	113,281	42,759	201,636	10,149	756,234	
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0	0	
South Carolina.....	89	694,497	40,726	735,223	7,803	220,659	35,788	35,206	238,861	204,709	6,580	701,077	
South Dakota.....	54	837,420	36,121	873,541	15,568	736,197	12,184	60,534	53,821	59,875	0	837,420	
Tennessee.....	84	709,655	39,825	749,480	8,448	294,020	56,045	72,280	136,040	190,095	2,775	712,430	
Texas.....	186	1,069,983	76,938	1,146,921	12,442	630,048	26,576	64,003	242,343	183,951	0	1,069,983	
Utah.....	13	254,175	6,668	260,843	13,378	154,258	16,000	11,450	28,300	50,775	0	254,175	
Vermont.....	1	9,350	0	9,350	9,350	1,000	1,550	500	300	7,000	0	9,350	
Virginia.....	61	777,605	40,721	818,326	12,748	298,860	75,551	98,754	119,687	295,474	0	777,605	
Washington.....	63	826,355	7,500	833,855	13,117	165,620	84,658	117,326	89,527	376,684	5,610	831,965	
West Virginia.....	37	322,938	12,670	335,608	8,728	126,574	34,285	32,120	24,415	118,214	9,125	332,063	
Wisconsin.....	164	1,867,766	159,257	2,027,023	11,389	1,225,737	68,825	221,831	107,529	403,101	19,055	1,886,821	
Wyoming.....	7	79,035	1,570	80,605	11,291	18,465	1,300	5,055	49,065	6,720	0	79,035	
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	
Hawaii.....	22	241,295	112,528	353,823	10,968	228,669	315	14,729	110,110	0	0	241,295	
Puerto Rico.....	0	0	0	0	0	0	0	0	0	0	0	0	
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0	

Note: This table covers the loans made to Tenant Purchase, Farm Enlargement, Farm Development, and Building Improvement borrowers by private lenders, which are insured by the Government.



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Table V - Farm Ownership: Direct Loans - Number of Borrowers, Amount Loaned, and Payments,
Cumulative Through March 31, 1955

State and territory	Total number of borrowers	Borrowers paid in full					Write-offs and judgments				Borrowers with unpaid balance as of March 31, 1955				
		Total amount loaned	Number	Payments		Total credits	Principal		Interest	Number	Scheduled installments	Total	Regular and advance payments made on scheduled installments		
				Principal	Interest		1/	2/					Amount	As percent of schedule	
1	2	3	4	5	6	7	8	9	10	11	12	13	14		
U. S. Total.....	69,918	\$460,815,209	37,491	\$249,293,252	\$211,954,870	\$35,490,127	\$1,704,669	\$113,586	32,427	\$74,202,572	\$91,065,899	\$82,330,222	111	\$9,535,677	
Alabama.....	4,845	23,849,877	2,768	13,377,638	11,402,245	1,928,904	40,312	6,177	2,077	3,774,948	4,830,716	4,015,699	106	815,057	
Arizona.....	131	1,687,852	53	653,418	539,675	99,526	13,134	1,083	78	166,755	187,739	165,740	99	21,999	
Arkansas.....	4,193	20,134,378	2,225	11,304,708	9,558,934	1,706,310	329,541	9,923	1,968	3,744,571	4,349,079	3,862,086	103	487,793	
California.....	4,545	4,631,348	271	2,893,928	2,481,149	411,425	1,272	82	200	555,082	669,263	610,081	110	59,182	
Colorado.....	540	5,220,437	332	3,192,843	2,772,315	413,546	6,982	0	200	633,383	688,552	628,917	99	55,635	
Connecticut.....	42	422,138	20	212,705	176,819	24,094	11,792	0	22	84,421	89,065	83,721	99	5,344	
Delaware.....	86	600,417	51	371,185	310,427	51,580	8,220	958	37	103	123,445	95,460	103	37,985	
Florida.....	728	4,284,702	358	1,897,297	1,626,499	256,250	11,629	919	370	628,969	765,232	607,391	97	157,841	
Georgia.....	5,643	26,597,619	3,306	15,403,995	13,042,336	2,300,234	57,770	3,655	2,337	4,318,715	5,703,165	4,412,420	102	1,290,745	
I Idaho.....	753	7,722,596	215	1,876,568	1,598,922	266,883	9,433	1,350	538	1,032,834	1,079,154	1,049,656	102	29,698	
Illinois.....	1,033	8,682,816	604	6,168,733	5,512,589	950,163	4,360	1,621	429	1,488,775	1,913,564	1,809,705	122	103,779	
Indiana.....	975	8,924,250	528	5,119,161	4,410,554	693,907	13,999	771	447	1,480,753	1,998,648	1,924,972	130	73,676	
Iowa.....	1,355	13,556,451	760	7,975,336	6,831,676	1,138,340	4,909	309	595	1,819,913	2,258,291	2,210,773	121	47,518	
Kansas.....	1,264	11,912,696	614	6,109,339	5,242,384	827,905	37,261	1,989	650	2,036,422	2,454,927	2,344,726	115	110,201	
Kentucky.....	1,284	9,874,523	859	6,980,158	6,008,311	952,194	19,320	633	425	1,179,860	1,554,393	1,498,519	127	55,874	
Louisiana.....	2,339	13,323,165	1,077	6,681,968	5,562,208	1,068,703	46,893	4,164	1,262	2,844,596	3,561,489	3,207,736	113	353,753	
Maine.....	236	1,565,740	79	461,302	380,037	54,918	26,219	128	157	318,377	355,820	331,648	104	24,172	
Maryland.....	338	2,669,343	157	1,356,225	1,150,081	202,464	3,118	562	181	503,116	622,637	503,777	100	118,860	
Massachusetts.....	89	793,043	41	401,154	337,874	50,102	12,373	805	48	142,370	174,038	130,027	91	44,011	
Michigan.....	959	6,564,006	540	3,523,600	2,978,688	517,715	23,293	3,904	419	1,153,486	1,430,080	1,306,969	113	123,111	
Minnesota.....	2,608	15,721,311	1,434	8,928,595	7,669,563	1,219,815	37,859	1,358	1,474	2,385,032	2,972,649	2,843,678	119	128,971	
Mississippi.....	5,349	30,871,719	2,111	11,849,622	9,571,501	1,994,433	28,485	25,203	3,238	6,600,666	7,940,633	6,860,219	104	1,080,414	
Missouri.....	3,090	20,577,777	1,503	9,994,896	8,541,615	1,974,521	20,589	1,761	1,587	3,366,700	3,946,271	3,776,696	106	169,575	
Montana.....	657	4,471,486	348	2,604,791	2,193,211	378,534	27,777	5,269	309	869,798	971,470	921,376	106	50,094	
Nebraska.....	956	10,278,379	565	6,394,156	5,580,210	794,396	16,889	2,721	391	1,156,286	1,433,536	1,407,163	122	26,373	
Nevada.....	50	569,645	10	104,339	87,000	16,353	111	875	0	97,787	106,179	85,924	88	20,255	
New Hampshire.....	148	338,933	20	130,627	103,311	19,169	7,947	0	28	53,068	52,118	48,770	91	3,342	
New Jersey.....	257	2,400,992	97	1,279,407	826,580	139,063	12,874	1,977	160	459,889	576,778	500,096	109	76,742	
New Mexico.....	706	3,899,776	137	1,353,034	1,178,993	167,999	6,982	0	169	457,175	434,801	434,801	97	22,374	
New York.....	4,025	5,174,702	392	2,728,025	2,267,369	375,815	82,170	2,671	392	904,763	1,158,543	941,012	104	217,531	
North Carolina.....	8,025	21,505,391	2,485	13,097,269	11,313,339	1,767,341	13,710	2,909	1,540	2,830,416	3,723,162	3,234,192	114	488,970	
North Dakota.....	830	7,024,045	468	3,712,691	3,240,288	435,615	33,191	3,597	362	996,299	1,134,369	1,080,960	108	53,429	
Ohio.....	1,201	9,811,231	683	5,983,451	5,120,360	816,905	39,388	6,798	518	1,559,604	1,966,552	1,822,078	117	144,474	
Oklahoma.....	3,308	21,240,217	1,972	12,896,062	10,993,307	1,785,259	55,790	1,706	1,336	3,519,671	4,478,019	4,098,344	116	379,675	
Oregon.....	581	4,744,196	337	2,262,609	1,952,382	290,568	15,857	3,802	244	663,185	676,848	630,325	101	46,523	
Pennsylvania.....	989	6,457,108	488	3,551,205	2,986,038	520,986	39,722	4,459	501	1,110,777	1,378,406	1,240,860	112	137,946	
Rhode Island.....	6	53,067	2	12,344	10,297	2,137	0	0	4	9,706	20,335	9,756	101	10,579	
South Carolina.....	2,898	14,118,427	1,551	7,790,022	6,594,638	1,160,638	33,092	1,654	1,337	2,689,354	3,534,164	2,833,122	105	701,042	
South Dakota.....	752	6,905,454	446	3,805,395	3,405,113	500,272	0	0	306	884,126	969,294	938,592	114	30,702	
Tennessee.....	2,296	14,045,532	1,279	8,083,225	6,908,934	1,157,703	15,820	768	1,017	2,263,989	2,887,956	2,640,033	117	247,953	
Texas.....	5,283	42,940,103	3,216	27,617,752	23,627,324	3,922,333	62,081	6,014	2,067	6,490,635	8,338,808	7,738,426	119	600,382	
Utah.....	371	3,903,005	87	827,993	668,776	136,714	16,903	3,590	284	705,150	800,650	739,355	94	61,695	
Vermont.....	104	1,405,760	82	596,214	467,495	126,916	48,934	3,171	102	221,448	234,082	182,086	109	228,886	
Virginia.....	1,201	7,131,090	703	4,382,469	3,717,914	600,662	1,837	2,016	498	1,189,427	1,530,961	1,301,975	102	52,006	
Washington.....	639	7,162,970	222	1,800,543	1,554,394	237,579	8,553	117	417	722,262	854,378	773,607	107	80,771	
West Virginia.....	679	3,945,993	310	1,740,638	1,452,453	253,407	28,716	6,062	369	707,975	910,614	784,960	111	125,654	
Wisconsin.....	1,866	10,116,771	1,085	5,654,784	4,887,618	725,369	38,291	3,486	781	1,548,518	1,973,700	1,872,463	121	101,237	
Wyoming.....	309	3,082,294	95	848,169	735,342	110,115	1,689	1,023	214	484,839	513,982	470,238	97	43,744	
Alaska.....	10	116,891	0	0	0	0	0	0	10	21,996	15,223	15,151	69	72	
Hawaii.....	265	1,743,572	172	1,174,226	989,897	168,145	16,067	117	93	200,870	249,204	236,213	98	12,991	
Puerto Rico.....	889	4,545,981	331	2,134,042	1,671,332	363,306	81,975	11,429	498	1,006,466	1,249,400	1,073,759	107	175,641	
Virgin Islands.....	13	114,324	2	9,729	8,365	1,364	0	0	11	1,511	3,989	3,989	264	0	

Note: Includes non-cash advances on sale of rural rehabilitation project farms. Paid-up borrowers include those paid through repossession, debt settlement, etc.

1/ Principal write-offs total \$1,341,168 and judgments \$363,501.

2/ Interest write-offs total \$107,708 and judgments \$35,878.

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Table VI - Farm Ownership: Insured Loans - Number of Borrowers, Amount Loaned, and Payments,
Cumulative Through March 31, 1955

State and territory	Total number of borrowers	Borrowers paid in full						Borrowers with unpaid balance as of March 31, 1955					
		Total amount insured	Number	Payments			Interest	Number	Scheduled installments	Payments		Extra payments and refunds	
				Total	Principal	On amount loaned by private lenders				Insurance and interest payments to fund	Total		Regular and advance payments made on scheduled installments
1	2	3	4	5	6	7	8	9	10	11	12	13	
U. S. Total.....	9,825	\$86,402,729	1,049	\$8,779,204	\$7,783,917	\$707,810	\$287,477	8,776	\$12,432,649	\$14,268,352	\$13,282,283	107	\$986,069
Alabama.....	264	1,772,410	24	145,622	130,737	10,542	4,343	240	233,068	283,465	248,368	107	35,097
Arizona.....	15	212,691	1	12,533	10,600	1,367	5,566	14	19,657	22,454	21,988	112	466
Arkansas.....	226	1,298,417	38	221,047	201,769	13,731	5,547	188	185,148	223,122	187,642	101	35,480
California.....	34	427,443	5	48,983	42,953	4,295	1,735	29	44,833	51,901	45,844	102	6,057
Colorado.....	160	1,829,377	18	189,660	168,832	14,672	5,956	142	286,961	281,358	269,575	94	11,753
Connecticut.....	11	110,575	1	10,713	9,990	476	247	10	6,535	7,718	7,567	116	151
Delaware.....	7	50,130	2	13,271	12,300	640	331	5	6,863	7,116	7,116	104	720
Florida.....	80	681,454	14	49,277	44,710	3,287	1,280	74	79,768	85,091	79,384	100	5,707
Georgia.....	636	4,712,392	71	408,071	358,297	34,599	15,175	565	491,952	566,318	481,405	98	84,913
I Idaho.....	102	997,569	11	111,569	100,400	6,063	3,086	91	162,152	175,650	162,403	100	13,247
Illinois.....	93	791,066	14	121,251	106,968	10,189	4,094	79	134,115	143,213	138,539	103	4,674
Indiana.....	219	2,500,474	30	333,442	292,414	29,077	11,951	189	375,950	463,597	419,110	115	44,397
Iowa.....	366	4,250,830	40	428,985	377,982	37,317	13,686	326	574,058	635,261	627,949	109	7,312
Kansas.....	405	4,166,891	57	596,941	523,447	48,037	19,457	348	692,801	781,802	743,971	108	31,859
Kentucky.....	133	1,386,123	10	106,477	90,610	11,119	4,746	123	142,143	179,665	173,308	122	6,357
Louisiana.....	190	1,486,274	13	100,814	90,101	7,538	3,175	177	187,183	226,286	206,423	110	19,863
Maine.....	157	1,130,056	7	64,620	60,376	2,894	1,350	150	169,117	146,426	146,426	102	22,691
Maryland.....	58	471,839	9	85,340	75,023	7,358	2,959	49	79,287	99,681	96,491	122	3,190
Massachusetts.....	13	131,533	1	11,104	10,191	662	251	12	20,491	20,491	18,667	109	1,884
Michigan.....	342	3,217,974	26	256,268	221,618	24,831	9,819	316	505,997	581,102	539,896	107	41,206
Minnesota.....	389	3,131,800	51	411,937	364,789	33,704	13,444	338	615,270	695,124	663,631	108	21,493
Mississippi.....	405	2,355,460	24	174,055	154,055	17,000	7,275	371	299,551	363,263	322,473	108	40,790
Missouri.....	602	5,953,192	75	539,312	472,518	47,609	19,185	727	899,748	975,359	915,155	102	60,204
Montana.....	74	533,782	7	88,156	79,950	6,525	2,641	67	136,568	159,786	142,309	103	17,477
Nebraska.....	172	1,995,397	19	229,570	199,744	21,791	8,035	153	336,732	380,078	369,439	110	10,639
Nevada.....	5	66,850	1	13,917	12,600	949	398	4	803	977	903	112	54
New Hampshire.....	9	79,349	1	9,238	7,773	1,022	443	8	11,384	16,120	9,830	86	6,290
New Jersey.....	74	756,631	17	192,082	170,845	15,079	6,158	57	123,034	136,817	123,123	100	13,694
New Mexico.....	78	1,095,398	5	76,046	67,206	6,372	2,468	73	71,285	80,001	74,813	105	5,188
New York.....	128	964,392	18	130,903	116,738	10,029	4,136	110	172,106	175,247	158,039	92	17,208
North Carolina.....	423	2,807,595	70	410,380	364,497	31,982	13,901	353	432,391	527,656	478,567	111	49,089
North Dakota.....	395	4,889,270	16	176,551	152,064	17,063	7,424	379	502,140	542,656	518,532	103	23,724
Ohio.....	170	1,570,053	21	177,203	157,824	13,791	5,568	149	257,397	288,476	269,383	105	19,093
Oklahoma.....	279	2,639,541	39	321,036	287,956	23,568	9,722	240	375,444	420,038	396,483	106	23,555
Oregon.....	80	865,495	7	68,626	64,395	3,103	1,218	73	139,282	140,148	136,612	100	1,536
Pennsylvania.....	303	2,214,621	41	300,462	269,138	22,389	8,935	262	349,422	422,149	366,138	105	56,011
Rhode Island.....	239	1,693,410	21	131,159	119,043	8,408	3,708	218	208,429	244,734	221,481	106	23,253
South Carolina.....	229	2,631,330	16	196,100	171,328	16,095	6,677	213	431,986	436,181	428,110	99	8,071
Tennessee.....	223	1,727,115	17	138,178	122,700	11,136	4,342	206	209,691	235,099	221,035	105	14,064
Texas.....	454	4,224,169	65	653,761	589,587	46,562	17,632	389	790,979	997,467	929,811	118	67,656
Utah.....	33	336,904	1	11,637	10,260	964	413	32	77,592	81,610	79,611	103	2,199
Vermont.....	25	1,791,972	1	7,552	6,404	773	375	24	22,342	25,437	22,379	100	3,058
Virginia.....	170	1,591,536	14	109,245	99,924	6,487	2,834	156	200,594	250,865	208,641	104	42,224
Washington.....	135	1,568,834	7	63,342	54,194	6,599	2,549	128	193,482	205,590	199,469	103	6,101
West Virginia.....	89	658,428	7	42,785	36,733	4,220	1,832	82	71,837	80,946	76,648	107	4,298
Wisconsin.....	602	7,515,922	89	713,942	628,032	61,234	24,676	793	1,060,472	1,291,479	1,224,324	116	67,155
Wyoming.....	16	177,328	2	23,184	20,518	1,747	919	14	34,221	43,983	40,557	119	3,426
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii.....	33	295,477	3	29,839	26,634	2,202	803	30	50,052	55,876	54,293	108	1,585
Puerto Rico.....	0	0	0	0	0	0	0	0	0	0	0	0	0
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0	0

Note: This table covers loans advanced by private lenders which are insured by the Government. In addition to amount insured, this table covers small amounts advanced, including principal and interest repayments on these advances, for such purposes as the payment of taxes, insurance premiums, etc.

1/ Includes principal write-offs in the amount of \$14,142, principal judgments in the amount of \$5,051.

Table VII - Farm Housing: Number of Borrowers, Amount Loaned, and Payments,
Cumulative Through December 31, 1954

State and territory	Total number of borrowers	Borrowers paid in full				Borrowers with unpaid balance as of December 31, 1954							
		Total amount loaned	Payments			Interest	Number	Scheduled installments	Total	Regular and advance payments made on scheduled installments		Extra payments and refunds	
			Number	Total	Principal					Amount	As percent of schedule		
1	2	3	4	5	6	7	8	9	10	11	12		
U. S. Total.....	18,919	\$97,249,269	2,276	\$9,521,830	\$8,846,836	\$674,994	16,643	\$16,668,296	\$19,385,085	\$17,596,774	106	\$1,788,311	
Alabama.....	1,060	5,743,716	125	645,277	605,870	39,407	935	965,581	1,153,231	1,061,593	110	91,638	
Arizona.....	104	746,197	17	97,590	92,389	5,201	87	122,273	122,273	122,273	100	5,296	
Arkansas.....	988	3,276,412	113	340,312	318,647	21,665	875	544,197	660,239	584,554	107	75,685	
California.....	455	2,816,259	82	379,230	348,819	30,411	373	461,897	460,648	460,648	100	34,327	
Colorado.....	226	1,330,353	26	121,936	112,147	9,849	200	212,595	232,828	204,613	96	28,215	
Connecticut.....	34	142,082	8	20,367	18,870	1,497	26	23,895	25,858	23,026	96	2,832	
Delaware.....	5	26,290	1	9,451	8,750	701	4	3,270	2,653	2,653	81	0	
Florida.....	365	2,161,968	44	224,108	209,382	14,726	321	375,730	420,098	386,307	103	33,791	
Georgia.....	1,170	5,754,380	129	506,382	465,782	40,600	1,041	1,062,734	1,248,081	1,122,169	106	125,912	
Idaho.....	340	2,110,720	38	195,270	178,267	17,003	302	385,352	421,528	388,016	101	33,512	
Illinois.....	358	1,421,608	71	237,355	218,375	18,980	287	247,468	277,553	255,146	103	22,407	
Indiana.....	318	1,643,959	60	210,379	196,383	14,196	258	256,082	318,951	288,531	113	30,420	
Iowa.....	365	1,725,190	37	150,525	138,791	11,734	328	252,164	301,263	266,257	106	35,006	
Kansas.....	281	1,535,105	42	161,636	150,374	11,262	239	241,384	267,603	239,962	98	30,641	
Kentucky.....	447	2,378,042	32	142,578	133,771	8,807	415	397,224	507,073	448,944	113	58,129	
Louisiana.....	644	3,352,823	58	269,937	251,624	18,313	586	674,750	783,851	725,392	108	58,459	
Maine.....	267	1,079,718	29	81,684	76,572	5,112	238	223,340	246,398	220,033	99	26,365	
Maryland.....	146	817,021	21	102,246	94,875	7,371	125	118,864	131,071	116,683	98	14,387	
Massachusetts.....	22	117,868	3	12,660	11,425	1,235	19	17,879	16,683	14,921	83	1,762	
Michigan.....	431	2,095,562	35	136,792	123,736	13,056	396	385,245	454,414	424,709	110	29,705	
Minnesota.....	323	1,346,606	38	172,655	159,676	12,979	285	192,379	235,547	217,107	113	18,440	
Mississippi.....	1,155	4,965,215	123	449,562	421,995	27,567	1,032	899,379	1,026,674	954,732	106	71,942	
Missouri.....	936	3,409,563	128	375,124	349,791	25,333	808	537,287	621,680	566,492	105	55,188	
Montana.....	190	1,166,942	25	124,650	116,742	7,908	165	185,000	219,040	192,243	104	26,797	
Nebraska.....	369	1,698,281	58	235,414	217,108	18,306	311	299,489	316,475	287,225	96	29,250	
Nevada.....	24	169,742	2	3,750	3,500	250	22	34,456	33,734	33,433	97	301	
New Hampshire.....	16	65,470	2	3,883	3,585	298	14	6,927	10,144	7,794	113	2,350	
New Jersey.....	161	827,513	23	91,849	83,946	7,903	138	133,625	144,747	132,525	99	12,222	
New Mexico.....	242	1,372,552	35	135,679	125,112	10,567	207	231,784	245,049	225,150	97	19,899	
New York.....	169	939,216	19	87,306	82,124	5,182	150	140,417	162,959	142,359	101	20,560	
North Carolina.....	760	4,364,422	61	292,482	272,819	19,663	699	697,963	946,076	839,567	120	106,509	
North Dakota.....	199	1,253,761	11	40,151	37,564	2,587	188	217,554	217,101	196,777	90	20,324	
Ohio.....	204	963,329	48	196,856	180,453	16,403	156	138,653	160,124	141,315	102	18,809	
Oklahoma.....	978	4,986,241	130	544,642	510,767	33,875	848	875,604	999,423	890,454	102	108,969	
Oregon.....	208	1,355,553	35	186,218	172,640	13,578	173	237,779	274,365	245,550	103	28,815	
Pennsylvania.....	366	1,606,556	65	189,227	174,645	14,582	301	280,911	302,507	279,039	99	23,468	
Rhode Island.....	2	5,570	0	0	0	0	2	755	796	796	105	0	
South Carolina.....	618	3,648,729	44	180,953	167,767	13,186	574	669,423	809,241	734,036	110	75,205	
South Dakota.....	236	1,262,893	17	85,384	79,787	5,597	219	194,653	202,675	184,455	93	21,220	
Tennessee.....	604	3,152,362	76	305,424	282,924	22,500	588	537,087	652,697	593,181	110	59,516	
Texas.....	1,162	6,725,548	146	701,717	650,661	51,056	1,016	1,180,203	1,394,100	1,273,039	108	121,061	
Utah.....	269	1,601,987	23	138,608	128,149	10,459	246	333,389	383,776	350,784	105	32,992	
Vermont.....	18	71,375	2	9,810	8,810	1,004	16	10,101	10,103	9,430	93	36,673	
Virginia.....	350	2,262,855	36	174,616	162,357	12,259	314	386,450	435,110	398,497	103	36,613	
Washington.....	214	1,462,155	24	131,269	122,130	9,139	190	258,373	286,445	265,463	103	20,982	
West Virginia.....	255	1,655,033	19	135,619	126,625	8,994	236	288,846	351,322	314,544	109	36,778	
Wisconsin.....	304	1,412,980	23	131,420	120,837	10,583	266	223,463	274,144	247,773	111	26,371	
Wyoming.....	143	828,828	23	104,699	97,927	6,772	120	146,442	142,921	139,075	95	3,846	
Alaska.....	1	1,000	1	1,105	1,000	105	0	0	0	0	0	0	
Hawaii.....	103	838,461	8	48,986	45,184	3,802	95	141,936	184,138	163,774	115	20,364	
Puerto Rico.....	297	1,385,137	43	189,362	178,362	11,000	254	268,714	229,466	218,358	101	18,358	
Virgin Islands.....	17	88,181	2	7,431	7,000	431	15	8,119	20,586	8,586	106	12,000	



Production and Subsistence Loans

1. Loans: The annual Appropriation Act for 1956 provides for borrowing \$122,500,000 from the Secretary of the Treasury for production and subsistence loans. This is the same amount as that authorized in the 1955 fiscal year. In addition \$15,000,000 was made available in the Supplemental Appropriation Act, 1956.

Increased emphasis on the use of loan funds for the purpose of establishing efficient adequate farm operations resulted in the sizeable decrease in the number of annual loans in the 1955 fiscal year. Subsequent loans during the 1955 fiscal year increased over the previous year from 39,031 to 41,675. This increase resulted in large part from the need for additional funds by indebted farmers who received initial loans from the increase of \$20,000,000 which was added to the original loan authorization in 1954. The following table shows the number of operating loans made and the total amount of funds available during each of the fiscal years 1949 through 1955 and with estimates for 1956, and 1957:

<u>Fiscal Year</u>	<u>Number Initial Loans Made</u>			<u>Subsequent Loans</u>	<u>Total All Loans</u>	<u>Total</u>
	<u>Adjustment</u>	<u>Annual</u>	<u>Total</u>			<u>Available for Operating Loans</u>
1949	37,935	25,621	63,556	37,049	100,605	\$ 75,000,000
1950	40,622	8,772	49,394	41,773	91,167	85,000,000
1951	34,311	11,633	45,944	44,230	90,174	103,000,000
1952	23,649	855	24,504	34,361	58,865	110,000,000
1953	23,617	408	24,025	34,414	58,439	120,000,000
1954	26,899	7,236	34,135	39,031	73,166	140,000,000
1955	21,287	1,679	22,966	41,675	64,641	122,500,000
1956 (est.)	25,970	1,575	27,545	44,165	71,710	137,500,000
1957 (est.)	26,820	1,575	28,395	44,165	72,560	140,000,000

See Table I for distribution by states

2. Use of Loan Funds: The major portion of the production and subsistence loan funds is being used to assist farmers in making basic adjustments in their farming operations in order to farm efficiently and carry out a stable economic type of farming. Approximately 74 percent of the initial adjustment type loan funds was used for purchase of capital items such as productive livestock, machinery and equipment, or the refinancing of debts secured by liens on such property. Approximately 26 percent of the loan funds was used for other farm operating expenses. Funds in annual type of loans were used primarily for feed, seed, fertilizer, and other farm operating expenses.
3. Collections: The following is a summary of the cumulative and current collection activity on operating loans:
 - A. Cumulative collections on production and subsistence loans made by the Farmers Home Administration and other types of operating loans

made by predecessor agencies have exceeded cumulative advances made during the last nine fiscal years by \$26,862,554 as shown by the following table:

<u>Fiscal Year</u>	<u>Loan Disbursements</u>	<u>Principal Repayments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
1947	\$ 89,738,190	\$119,784,295	\$ 14,299,621	\$134,083,916
1948	59,912,114	101,453,618	12,769,753	114,223,371
1949	74,957,211	78,279,960	11,282,124	89,562,084
1950	84,912,479	68,004,734	9,702,196	77,706,930
1951	102,933,890	83,307,468	10,926,796	94,234,264
1952	109,958,601	90,566,068	11,066,894	101,632,962
1953	119,929,065	82,244,283	11,222,228	93,466,511
1954	139,999,150	89,336,288	11,957,498	101,293,786
1955	<u>122,499,948</u>	<u>111,865,317</u>	<u>13,634,061</u>	<u>125,499,378</u>
Total	\$904,840,648	\$824,842,031	\$106,861,171	\$931,703,202

B. Cumulative loan advances and collections of rural rehabilitation loans, Farm Security Administration, Emergency Crop and Feed Loan Division, and the Farmers Home Administration follow:

<u>Loan Advances</u>	<u>Collections to June 30, 1955</u>			<u>Principal Repayments to Maturities</u>	<u>Total Collections to Advances</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		

Rural Rehabilitation Loans from June 1935 to October 31, 1946

\$1,004,901,875	\$889,811,667	\$124,354,575	\$1,014,166,242	88.6%	100.9%
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Emergency Crop and Feed Loans from 1918 to October 31, 1946

575,934,022	475,992,610	58,430,530	534,423,140	82.6%	92.8%
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Production and Subsistence Loans from November 1, 1946 to June 30, 1955

876,393,006	570,880,757	54,940,971	625,821,728	92.8%	71.4%
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See Table III for distribution by states

4. Progress of Borrowers: While fiscal year 1955 figures are not yet available, a summary of reports from 13,431 borrowers who repaid their loans during the 1954 fiscal year and continued to farm showed an average increase in net worth between the time of application and the time of loan payment of \$3,468 from \$4,907 to \$8,375. Average gross farm income for each of these operators was \$3,088 at the time of application and \$4,820 during the year when final payment was made. Since the average borrower was indebted four years, the average year of application was 1949 for those families for whom reports were tabulated. Changes in prices between the 1949 and the 1953 crop years were small. Thus, the increased income reflected by the reports represents, for the most part, an increase in real income.

5. Debts Compromised, Adjusted, or Canceled Pursuant to Public Laws 518 and 731: Continued emphasis is being given to the settlement of old accounts eligible for compromise, adjustment, or cancellation under existing statutory authorities.

The following table shows adjustment, compromise, and cancellation settlements during the fiscal year 1955 and from the inception of such activity on April 4, 1945, through June 30, 1955:

	<u>During Fiscal Year 1955</u>	<u>From Inception April 4, 1945 through June 30, 1955</u>
Number of borrowers involved in settlement	26,863	782,074
Original principal indebtedness	\$16,824,742	\$283,161,654
Repaid prior to settlement:		
Principal	\$ 7,475,023	\$108,197,375
Interest	1,503,607	18,333,340
Unpaid balance at time of settlement:		
Principal	9,349,718	174,964,279
Interest	6,086,185	74,176,453
Principal and interest paid at time of settlement	814,260	18,608,854
Principal and interest written off	14,621,642	230,531,877



UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table 1 - Total Production and Subsistence Loans to Individuals, 1954 and 1955 Fiscal Years
and Cumulative From Inception, November 1, 1946, Through June 30, 1955 1/

State and territory	1954 fiscal year						1955 fiscal year						Cumulative - November 1, 1946 through June 30, 1955					
	Adjustment loans			Annual loans			Adjustment loans			Annual loans			Adjustment loans			Annual loans		
	Number	Average amount		Number	Average amount		Number	Average amount		Number	Average amount		Number	Average amount		Number	Average amount	
		Initial	Subsequent		Initial	Subsequent		Initial	Subsequent		Initial	Subsequent		Initial	Subsequent		Initial	Subsequent
U. S. Total.....	26,099	\$3,281	39,031	\$1,179	7,236	\$781	21,287	\$3,233	41,675	\$1,240	1,679	\$1,172	255,511	\$1,955	369,639	\$874	162,487	\$330
Alabama.....	1,009	1,696	2,940	812	915	518	998	1,583	2,365	786	121	556	13,407	973	25,739	518	7,865	307
Arizona.....	102	5,012	132	2,627	51	3,856	80	5,255	171	1,711	84	4,345	3,411	1,677	17,384	1,973	2,423	2,423
Arkansas.....	370	3,051	1,321	1,044	155	840	815	2,839	1,292	1,093	105	649	11,555	1,677	17,384	709	10,150	365
California.....	870	4,793	526	2,098	9	3,055	266	4,971	589	1,965	18	3,466	2,841	3,308	3,421	1,750	291	1,244
Colorado.....	456	4,791	965	1,332	39	1,846	249	4,813	880	1,493	20	1,963	3,309	3,292	7,808	1,232	681	659
Connecticut.....	13	5,430	35	1,685	4	3,888	15	4,767	33	1,952	4	4,500	4,032	189	189	1,766	36	1,511
Delaware.....	11	2,755	21	1,209	4	2,056	18	1,717	16	1,019	4	1,500	1,970	224	224	1,031	54	572
Florida.....	327	2,912	798	1,397	181	743	168	2,757	830	1,354	119	1,093	3,510	1,536	9,999	974	2,925	359
Georgia.....	873	2,724	2,251	1,217	298	728	671	2,765	2,080	1,238	37	764	11,871	1,319	18,322	811	13,739	282
Idaho.....	637	4,014	1,081	1,403	11	2,549	469	4,379	1,211	1,717	6	2,550	4,314	2,894	7,560	1,260	437	652
Illinois.....	714	3,827	660	1,144	56	1,120	655	4,332	844	1,326	20	841	4,764	3,017	5,400	1,050	444	536
Indiana.....	426	4,279	1,487	1,273	14	731	436	4,350	553	1,517	17	821	3,484	3,030	3,096	1,104	552	374
Iowa.....	627	4,314	723	1,015	72	1,072	422	4,660	784	1,068	5	1,095	3,856	3,144	7,384	853	353	627
Kansas.....	524	4,703	754	1,170	31	1,279	502	4,411	923	1,310	13	1,420	3,783	3,155	6,665	889	761	507
Kentucky.....	942	1,880	578	936	43	346	722	1,569	1,145	739	48	358	9,520	1,141	9,165	606	3,855	193
Louisiana.....	1,005	2,425	952	1,402	647	672	903	2,342	969	1,432	45	946	11,122	1,423	11,741	820	11,771	292
Maine.....	280	3,119	672	1,744	351	3,330	228	2,929	547	1,515	127	1,148	2,450	2,282	3,623	1,448	791	1,998
Maryland.....	193	2,577	259	1,307	14	496	184	2,486	279	1,178	25	635	1,622	1,114	2,253	1,002	857	311
Massachusetts.....	24	4,140	42	1,948	3	1,017	16	5,262	39	2,218	1	625	2,055	2,868	354	1,571	102	698
Michigan.....	469	4,051	615	1,454	5	990	523	4,329	680	1,461	6	1,067	5,113	2,709	4,603	1,239	371	372
Minnesota.....	676	4,996	337	939	173	1,596	381	4,755	620	875	47	1,112	5,122	3,353	4,177	971	2049	576
Mississippi.....	1,556	1,911	2,510	806	617	419	1,478	1,850	2,128	872	71	465	24,511	1,354	24,511	624	12,539	232
Missouri.....	1,187	3,174	1,561	810	1	742	742	3,219	1,608	1,005	0	0	8,242	2,423	11,218	793	1,220	538
Montana.....	385	5,025	963	1,629	28	1,781	227	5,219	1,027	1,782	20	2,671	3,575	7,524	1,383	758	770	770
Nebraska.....	454	4,197	504	845	13	1,621	323	4,465	698	886	4	2,081	3,030	3,226	4,062	895	459	576
Nevada.....	35	5,215	31	1,950	1	7,000	11	4,653	22	2,124	0	0	264	3,421	267	1,882	19	1,528
New Hampshire.....	33	4,997	111	1,656	0	0	39	5,272	126	1,854	0	0	295	3,911	676	1,640	67	372
New Jersey.....	187	3,217	229	1,884	5	2,360	227	3,252	242	1,892	0	0	1,450	2,515	1,727	1,518	156	811
New Mexico.....	362	3,698	616	1,630	26	1,338	266	4,399	544	1,728	13	2,745	2,954	4,050	1,316	1,136	565	565
New York.....	344	5,082	768	1,384	5	3,602	345	5,254	723	1,408	12	3,983	2,520	3,680	6,223	1,188	731	611
North Carolina.....	1,389	1,915	2,436	1,204	474	726	1,431	1,931	1,962	1,155	182	754	22,939	980	24,088	723	18,351	281
North Dakota.....	501	4,368	665	1,053	55	788	471	4,771	790	1,351	3	743	3,239	4,891	3,503	3,684	476	476
Ohio.....	404	3,968	357	1,326	9	1,022	227	4,230	355	1,570	3	2,737	2,966	2,196	1,610	993	329	329
Oklahoma.....	1,248	3,762	2,312	903	99	1,023	806	3,462	2,823	849	96	1,086	11,464	2,421	23,765	668	2,450	427
Oregon.....	159	4,100	356	1,773	16	2,996	160	4,399	393	2,064	11	3,829	1,953	2,776	3,182	1,475	197	1,053
Pennsylvania.....	376	3,813	583	1,466	17	1,026	364	4,363	628	1,370	9	1,052	3,521	4,532	4,532	1,196	761	446
Rhode Island.....	1	4,170	6	2,450	0	0	3	5,372	5	1,900	0	0	26	3,474	78	1,416	1	1,000
South Carolina.....	1,084	1,483	1,782	882	2,381	409	978	1,364	1,304	972	159	417	21,308	698	17,617	521	25,681	246
South Dakota.....	576	4,417	733	1,094	15	1,054	417	4,689	944	1,087	2	725	3,478	5,033	1,034	1,300	500	500
Tennessee.....	670	1,861	775	780	37	396	595	1,848	845	812	21	363	6,863	1,217	9,243	578	4,096	266
Texas.....	2,721	4,027	1,240	1,471	40	1,133	1,473	4,109	2,767	1,473	29	1,369	14,796	2,832	30,416	901	12,600	315
Utah.....	202	3,425	396	1,325	5	2,270	183	3,400	382	1,373	7	1,836	1,643	2,450	3,132	1,201	308	586
Vermont.....	46	5,113	107	1,225	0	0	19	5,515	131	1,016	0	0	404	3,788	897	1,176	30	364
Virginia.....	407	1,922	641	859	253	445	217	2,092	568	1,001	95	831	4,006	1,200	4,538	775	4,963	233
Washington.....	307	4,776	560	1,978	12	3,482	262	4,800	621	2,265	14	3,218	2,578	3,410	3,370	1,820	152	1,364
West Virginia.....	280	2,700	406	1,107	22	772	221	2,451	363	1,124	22	604	2,247	1,714	2,271	1,008	611	226
Wisconsin.....	620	4,005	725	961	7	2,241	535	4,153	765	949	6	2,300	5,262	2,971	5,918	970	524	320
Wyoming.....	251	4,985	658	1,685	17	1,971	159	4,885	687	1,770	23	2,969	2,149	3,442	5,960	1,444	426	1,082
Alaska.....	41	2,750	2	2,150	0	0	6	4,802	4	2,975	0	0	83	2,661	291	1,751	0	0
Hawaii.....	41	2,034	54	1,851	1	2,500	52	2,376	67	1,715	5	865	2,039	2,916	2,916	1,433	10	1,062
Puerto Rico.....	505	1,485	1,152	1,286	5	940	372	1,615	1,284	734	3	1,500	7,189	734	10,834	786	10,171	342
Virgin Islands.....	14	3,689	3	1,400	0	0	7	3,419	16	2,328	0	0	151	918	117	619	134	134

1/ Does not include loans from state rural rehabilitation corporation funds.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table II - Production and Subsidance Loans to Veterans Only,
1953, 1954 and 1955 Fiscal Years 1/

State and territory	1953 fiscal year						1954 fiscal year						1955 fiscal year					
	Adjustment loans			Annual loans			Adjustment loans			Annual loans			Adjustment loans			Annual loans		
	Initial		Subsequent	Initial		Subsequent	Initial		Subsequent	Initial		Subsequent	Initial		Subsequent	Initial		Subsequent
	Number	Average amount		Number	Average amount		Number	Average amount		Number	Average amount		Number	Average amount		Number	Average amount	
U. S. Total.....	10,554	\$3,390	15,853	\$1,392	150	\$834	10,679	\$3,494	17,362	\$1,243	1,470	\$945	8,641	\$3,527	17,955	\$1,309	465	\$1,467
Alabama.....	610	1,872	770	972	0	0	369	1,874	921	880	209	536	310	1,644	865	860	24	558
Arizona.....	35	5,052	43	3,135	0	0	53	3,387	77	2,556	18	4,267	35	5,234	86	2,286	33	4,568
Arkansas.....	409	3,262	601	1,216	16	806	331	3,200	549	1,099	47	766	290	3,091	520	1,084	32	677
California.....	139	4,467	224	2,285	1	2,500	172	4,850	266	2,193	4	4,100	117	5,052	298	2,004	9	3,956
Colorado.....	134	4,767	435	1,556	2	720	150	4,664	441	1,360	16	1,888	91	4,765	403	1,550	13	1,467
Connecticut.....	8	3,693	10	2,838	0	0	4	4,750	14	1,461	0	0	6	3,750	15	1,884	0	0
Delaware.....	9	2,889	3	1,583	1	1,500	7	3,457	12	1,220	0	0	4	975	7	943	0	0
Florida.....	156	3,239	329	1,573	0	0	157	2,926	449	1,485	43	717	76	2,595	406	1,431	51	1,149
Georgia.....	288	3,174	607	1,441	3	700	316	3,003	799	1,273	144	928	259	3,034	770	1,257	5	886
Idaho.....	239	3,555	549	1,440	1	600	291	4,100	606	1,443	5	2,916	232	4,450	647	1,823	2	1,175
Illinois.....	301	3,580	356	1,333	0	0	381	3,855	390	1,090	15	1,557	371	4,393	486	1,313	5	702
Indiana.....	192	4,150	209	1,550	0	0	219	4,333	232	1,388	15	981	222	4,500	296	1,583	5	1,086
Iowa.....	318	3,974	343	1,152	0	0	325	4,284	429	1,040	23	1,145	283	4,735	447	1,421	0	0
Kansas.....	143	3,893	385	1,122	5	1,597	185	4,284	424	1,263	4	564	201	4,352	442	1,348	9	1,052
Kentucky.....	434	2,013	444	951	7	344	349	1,901	252	893	8	325	278	1,563	483	778	16	373
Louisiana.....	367	2,921	310	1,666	0	0	319	2,850	327	1,542	138	745	298	2,595	318	1,522	11	1,217
Maine.....	90	2,992	219	1,930	0	0	87	3,170	265	1,875	77	3,341	96	3,322	236	1,670	30	1,351
Maryland.....	62	3,177	84	1,224	0	0	46	2,474	84	1,484	5	570	57	2,638	64	1,087	5	700
Massachusetts.....	8	3,072	17	1,891	2	1,000	11	4,018	20	1,890	1	750	9	4,693	18	2,475	1	685
Michigan.....	259	3,941	298	1,589	1	400	203	3,921	340	1,468	0	0	231	4,373	351	1,513	1	800
Minnesota.....	301	5,153	245	1,426	14	574	325	5,000	183	945	56	1,829	206	4,823	321	928	16	1,555
Mississippi.....	573	2,635	704	1,214	1	200	550	2,232	1,141	817	106	454	526	2,216	898	920	10	746
Missouri.....	542	3,289	542	1,042	3	1,607	574	3,200	870	817	6	349	349	3,483	840	1,033	8	3,012
Montana.....	172	4,750	523	1,738	3	1,607	171	5,109	508	1,684	6	2,117	116	5,360	486	1,790	8	708
Nebraska.....	229	4,043	247	1,047	2	862	233	4,225	290	876	6	987	186	4,540	387	891	3	708
Nevada.....	12	5,383	13	3,370	0	0	16	5,407	12	2,245	0	0	3	5,083	13	2,213	0	0
New Hampshire.....	22	4,980	34	1,781	0	0	13	5,153	66	1,650	0	0	14	5,365	71	1,904	0	0
New Jersey.....	50	2,978	98	2,021	1	1,000	62	2,934	97	2,026	2	600	68	3,802	93	1,887	0	0
New Mexico.....	122	4,063	185	1,759	3	533	149	3,721	260	1,590	10	1,666	109	4,589	233	1,767	8	2,823
New York.....	110	5,110	267	1,889	1	625	115	5,137	325	1,406	1	1,500	99	5,286	297	1,530	3	5,167
North Carolina.....	534	2,015	806	1,227	8	466	563	2,070	910	1,265	133	777	487	2,068	750	1,209	51	824
North Dakota.....	230	4,132	344	1,171	9	671	235	4,482	358	1,059	25	928	218	4,718	396	1,410	1	330
Ohio.....	209	4,284	163	1,664	1	955	190	3,828	183	1,314	6	1,177	104	4,395	179	1,697	1	910
Oklahoma.....	470	3,707	818	1,156	10	530	442	3,697	983	947	24	904	315	3,396	1,100	867	20	962
Oregon.....	90	3,780	253	1,855	3	6,845	72	4,188	178	1,663	7	3,465	67	4,511	181	2,113	7	4,226
Pennsylvania.....	164	3,748	314	1,573	0	0	141	3,912	298	1,569	7	1,364	135	4,513	299	1,405	2	2,900
Rhode Island.....	0	0	0	1,925	0	0	0	0	0	0	0	0	2	4,900	1	2,000	0	0
South Carolina.....	319	2,176	417	1,122	0	0	299	1,820	497	1,022	308	449	268	1,686	384	1,054	26	408
South Dakota.....	255	4,326	237	1,594	4	900	360	4,408	430	1,107	5	722	255	4,612	555	1,149	0	0
Tennessee.....	266	2,036	401	851	4	341	234	1,949	298	790	11	431	230	2,015	337	886	5	240
Texas.....	682	4,147	1,110	1,436	32	734	919	4,373	590	1,631	12	1,025	602	4,238	1,094	1,547	9	1,138
Utah.....	87	3,215	218	1,532	1	1,260	82	3,373	221	1,349	25	928	76	3,445	184	1,357	1	1,000
Vermont.....	15	5,495	41	1,630	0	0	22	4,855	47	1,356	4	1,975	4	5,878	58	1,028	0	0
Virginia.....	149	2,191	220	1,009	11	528	136	2,251	254	898	66	482	87	2,043	222	1,075	21	1,207
Washington.....	164	4,581	266	2,337	0	0	156	4,855	326	2,044	3	2,543	128	4,716	341	2,406	4	2,318
West Virginia.....	114	2,831	114	1,548	2	432	116	2,343	186	1,189	6	1,750	90	2,404	144	1,119	6	1,454
Wisconsin.....	245	4,374	426	1,319	0	0	276	4,065	368	974	2	5,250	268	4,124	370	956	3	3,783
Wyoming.....	116	4,556	449	1,817	1	260	115	4,479	390	1,676	4	1,858	73	4,617	354	1,757	3	5,393
Alaska.....	2	5,250	3	1,967	0	0	4	2,750	1	2,500	0	0	4	4,575	2	4,000	0	0
Hawaii.....	15	2,597	10	1,120	0	0	12	2,068	31	1,928	0	0	14	2,475	31	1,605	2	912
Puerto Rico.....	53	1,753	147	1,479	0	0	78	1,962	154	1,457	0	0	51	1,482	174	1,911	0	0
Virgin Islands.....	1	3,000	0	0	0	0	2	3,290	0	0	0	0	1	6,600	1	2,295	0	0

1/ Does not include loans from state rural rehabilitation corporation funds.

Table III - Production and Subsidy Loans, Maturities and Collections,
Cumulative Through June 30, 1955 1/

State and Territory	Cumulative loan obligations	Cumulative advances	Matured principal	Collections			Principal		Unpaid principal balance	Ratio of principal repayments to matured principal
				Principal repayments	Interest payments	Total	Write-offs	Judgments		
1	2	3	4	5	6	7	8	9	10	
U. S. Total.....	\$876,442,627	\$876,393,006	\$615,264,321	\$570,880,757	\$54,940,971	\$625,821,728	\$3,041,855	\$423,779	\$302,046,615	92.8
Alabama.....	28,791,322	28,585,983	22,876,436	21,297,572	1,295,653	22,493,225	114,709	18,598	7,254,704	92.7
Arizona.....	4,586,099	4,754,671	3,148,698	2,892,411	217,119	3,109,530	20,747	8	1,841,505	91.9
Arkansas.....	35,435,874	34,700,912	26,413,057	24,160,511	2,012,515	26,173,026	164,030	7,898	10,368,473	91.5
California.....	15,752,194	16,905,298	11,804,059	10,986,872	1,118,575	12,105,447	129,325	2	5,789,099	92.3
Colorado.....	20,963,498	20,794,039	14,767,331	13,086,819	1,297,796	14,384,615	30,718	10,395	7,666,107	88.5
Connecticut.....	872,007	958,215	597,201	580,794	59,832	640,626	5,598	2,841	368,982	97.3
Delaware.....	496,327	503,663	359,849	298,081	42,396	340,477	114	1,088	204,380	82.8
Florida.....	12,294,063	12,538,763	9,441,177	8,193,421	639,639	8,833,060	123,356	20,728	4,201,258	86.8
Georgia.....	34,401,287	34,327,735	27,167,966	24,594,710	1,497,267	26,091,977	322,207	36,607	9,374,211	90.5
Idaho.....	22,297,755	22,451,272	13,973,708	13,289,695	1,461,507	14,751,202	7,338	4,857	9,149,382	95.1
Illinois.....	20,279,572	20,476,236	12,514,988	12,059,315	1,431,330	13,490,645	41,973	4,014	8,370,934	96.4
Indiana.....	14,182,276	14,414,734	8,796,479	8,517,135	985,537	9,502,672	40,167	13,817	5,843,615	96.8
Iowa.....	18,649,919	18,819,467	11,610,260	11,526,587	1,345,138	12,871,725	29,762	1,670	7,261,448	99.3
Kansas.....	18,245,240	18,442,289	11,369,451	10,344,611	1,298,099	11,642,710	39,646	3,281	8,054,751	91.0
Kentucky.....	17,162,204	16,972,314	11,982,909	11,214,051	1,203,283	12,417,334	29,196	2,256	5,726,811	93.6
Louisiana.....	28,893,812	28,788,727	22,598,641	21,451,348	1,353,988	22,805,336	101,863	25,425	7,210,091	94.9
Maine.....	12,414,412	12,358,604	9,471,695	8,888,855	708,439	9,597,294	22,211	139	3,447,538	93.8
Maryland.....	5,955,191	6,007,008	3,756,110	3,345,386	495,606	3,840,992	9,012	139	2,692,471	89.1
Massachusetts.....	1,221,361	1,233,247	881,590	832,259	82,529	914,824	4,518	94.4	394,784	94.4
Michigan.....	19,691,134	19,779,591	11,704,209	11,126,714	1,742,133	12,868,847	70,435	5,967	8,576,875	95.1
Minnesota.....	22,425,112	22,428,555	14,588,804	14,218,798	1,810,375	16,029,173	26,606	11,988	8,171,163	97.5
Mississippi.....	35,325,315	35,085,536	25,911,958	23,892,390	1,897,645	25,790,035	246,658	11,694	10,974,794	92.1
Missouri.....	29,552,424	29,380,867	20,536,548	19,039,856	1,978,153	21,018,009	47,668	2,462	10,290,881	92.7
Montana.....	22,750,719	22,686,964	14,411,668	14,411,810	1,531,307	15,943,117	15,947	15,317	8,243,890	92.7
Nebraska.....	13,674,517	13,716,193	8,901,351	8,697,209	976,951	9,674,160	18,748	8,813	4,991,423	97.7
Nevada.....	1,450,559	1,433,326	1,006,222	921,244	120,758	1,042,002	8,083	902	503,097	91.6
New Hampshire.....	2,291,866	2,275,244	1,241,637	1,211,729	181,537	1,393,266	7,949	0	1,095,566	97.6
New Jersey.....	6,394,101	6,402,555	4,402,355	3,866,976	435,925	4,302,901	18,632	19,198	2,497,719	87.8
New Mexico.....	13,034,009	12,804,787	8,988,559	7,422,363	737,550	8,159,913	37,482	9,983	5,334,959	82.6
New York.....	16,961,612	16,979,754	9,794,286	8,864,361	1,393,009	10,257,370	84,385	13,263	8,017,745	90.5
North Carolina.....	45,051,940	44,995,342	36,219,026	34,916,717	1,958,321	36,875,038	191,905	17,837	9,858,883	96.4
North Dakota.....	17,954,712	17,717,065	9,878,552	9,019,213	1,147,976	10,167,189	15,634	30,899	8,651,319	91.3
Ohio.....	12,612,140	12,842,055	8,444,046	8,057,584	1,043,580	9,101,164	51,247	15,840	4,717,364	95.4
Oklahoma.....	44,698,781	43,918,755	30,716,882	28,402,778	3,188,896	31,591,674	73,866	1,920	15,440,191	92.5
Oregon.....	10,326,558	10,355,426	7,531,074	7,127,875	700,489	7,828,364	22,985	0	3,204,966	94.6
Pennsylvania.....	15,659,951	15,640,792	9,220,071	8,635,646	1,330,564	9,966,210	23,752	43,665	6,937,729	93.7
Rhode Island.....	201,806	206,105	146,606	142,496	16,263	158,759	409	0	63,200	97.2
South Carolina.....	29,504,783	29,477,263	25,236,569	23,233,711	1,094,600	24,328,311	277,780	20,572	5,945,200	92.1
South Dakota.....	17,341,960	17,270,432	9,668,772	8,737,637	1,243,680	9,981,317	13,685	800	8,518,310	90.4
Tennessee.....	14,787,562	14,879,765	11,022,233	10,275,822	929,710	11,205,532	36,869	982	4,966,092	93.2
Texas.....	73,275,749	73,748,633	54,562,845	47,663,266	4,205,625	51,868,951	349,320	15,831	25,720,216	87.4
Utah.....	8,038,900	8,018,475	5,281,119	4,993,628	627,584	5,591,212	11,927	765	3,042,155	94.0
Vermont.....	2,597,912	2,544,291	1,577,590	1,582,821	239,401	1,822,222	12,693	0	948,777	100.3
Virginia.....	9,480,841	9,499,458	7,089,988	6,534,807	557,337	7,092,144	22,134	7,414	2,935,103	92.2
Washington.....	15,312,865	15,312,865	9,670,757	8,994,807	1,008,872	9,963,679	14,885	5,053	6,338,120	92.6
West Virginia.....	6,278,210	6,190,842	3,364,710	3,176,936	436,530	3,613,466	4,080	0	3,009,826	94.4
Wisconsin.....	21,541,737	21,473,724	13,114,872	12,939,798	1,787,725	14,727,523	12,857	4,439	8,516,630	98.7
Wyoming.....	16,467,670	16,230,533	11,724,739	10,694,891	1,091,746	11,786,637	12,926	1	5,522,715	91.2
Alaska.....	259,294	280,491	200,406	155,913	28,075	183,988	0	0	124,578	77.8
Hawaii.....	1,311,486	1,300,878	904,668	822,006	111,916	933,922	6,294	0	472,578	90.9
Puerto Rico.....	17,266,371	17,263,662	13,301,900	13,611,417	826,348	14,437,765	67,741	2,900	3,581,604	102.3
Virgin Islands.....	229,605	229,605	115,694	137,069	13,742	150,811	183	0	92,353	118.5

1/ Loans made by Farmers Home Administration subsequent to October 31, 1946.

Soil and Water Conservation Loans

1. Changes in Program Coverage: Public Law 597, approved August 17, 1954, amending the Water Facilities Act of 1937, provided for extending the water facilities loan program to the entire Nation, and increased the limit on the size of loans to incorporated associations from \$100,000 to \$250,000. In addition, the insuring of loans made by private lenders was authorized. Public Law 597 also contained a new provision of loans for soil conservation purposes.

Under the authorities of the amended Act, loans were made in 1955 throughout the Nation to individuals and associations for the following purposes: (1) for irrigation water and irrigation facilities; (2) for farmstead water and farmstead water facilities; (3) for soil conservation purposes; and (4) for drainage facilities. Although loans for irrigation and farmstead water purposes were previously designated as water facilities loans, these loans and all loans made under the amended authority are now known as soil and water conservation loans.

All loans are scheduled for repayment within the shortest period consistent with the ability of the borrowers to pay. The repayment period for individuals may not exceed 20 years and for associations may not exceed 40 years. The interest charge on direct loans is $4\frac{1}{2}$ percent. On insured loans, the borrower pays $3\frac{1}{2}$ percent interest to the lender plus one-half of 1 percent as an insurance premium and one-half of 1 percent as an administrative expense charge. The principal indebtedness for any individual borrower may not exceed \$25,000 and for any association may not exceed \$250,000. Loans may be made only to individuals and associations unable to borrow at reasonable rates and terms from private or cooperative credit sources.

2. Soil and Water Conservation Loans in 1955 and 1956: During the 1955 fiscal year a total of \$11,500,000 was authorized for direct loans under the amended Act. This amount included a supplemental authorization of \$5,000,000. In accordance with the amended Act, insured loans were authorized in the amount of \$25,000,000.

Soon after the inception of the soil and water conservation loan program, under the authorities of Public Law 597, ample loan funds became available from private lenders to meet the requests of qualified applicants. Since the eligibility requirements for insured loans are identical with those for direct loans, emphasis throughout the remainder of the 1955 fiscal year was placed on utilizing the insured funds rather than the borrowing authorization from the Secretary of the Treasury. Thus, although \$11,500,000 was available for direct loans in 1955, only \$4,021,727 was obligated. Insured loan commitments totaled \$15,469,379.

The Appropriation Act for 1956 authorizes the borrowing of \$11,500,000 from the Secretary of the Treasury for direct soil and water conservation loans. It is estimated that not more than \$5,500,000, and perhaps less of this borrowing authorization will be required to meet the demand for these loans in excess of funds available from private lenders, and also will be used in those instances in which insured loans cannot be made, for example, because of local statutes.

3. Applications: During the 1955 fiscal year a total of 11,125 (individual 10,987; associations 138) applications for soil and water conservation loans were received. This compares with 3,229 (individual 3,154; associations 75) applications received in the 1954 fiscal year under the program then confined to the 17 Western States. Much interest has been expressed in the expended authorities under the program and it is expected that the applications for this type of assistance will continue to increase throughout the 1956 fiscal year. Since benefits of irrigation as a means of preventing loss due to lack of precipitation at the proper time are rapidly being accepted in the less arid sections of the Country, the demand for irrigation loans is expected to increase in the Eastern section of the Country during the 1956 fiscal year. Also, since many farmers do not have credit available for the establishment of water supplies needed for household conveniences and for efficient livestock production, it is expected that the demand for the farmstead type of loans will increase. Many farmers have not had the financial facilities to enable them to make needed soil conservation and drainage installations. Increasing numbers of these farmers are requesting loans for these purposes.
4. Number and Amount of Loans: During the 1955 fiscal year 3,478 (individual only) initial loans were made for soil and water conservation purposes. This compares to 1,036 initial loans made in the 17 Western States during the 1954 fiscal year. A total of 31 (initial only) loans to groups were made during the 1955 fiscal year. The difference between applications received and loans made is due to ineligibility of some applicants and applications in process. No eligible applicant has been denied a loan because of lack of funds. The table below shows the number and amount of initial and subsequent direct and insured loans made in the 1955 fiscal year and the number estimated for the 1956 and 1957 fiscal years.

Soil and Water Conservation Loans

	<u>Loans to individuals</u>		<u>Loans to groups</u>		
<u>Fiscal Year</u>	<u>Initial</u>	<u>Supple- mental</u>	<u>Initial</u>	<u>Supple- mental</u>	<u>Total</u>
<u>1955 (Actual)</u>					
Direct					
Number	657	48	22	17	744
Amount	\$ 2,464,975	\$101,742	\$1,169,710	\$294,300	\$ 4,021,727
Insured					
Number	2,821	95	9	5	2,930
Amount	14,800,463	370,266	142,100	156,550	15,469,379

	<u>Loans to individuals</u>		<u>Loans to groups</u>		
<u>Fiscal Year</u>	<u>Initial</u>	<u>Supple- mental</u>	<u>Initial</u>	<u>Supple- mental</u>	<u>Total</u>
<u>1956 (Estimated)</u>					
Direct					
Number	935	250	26	9	1,220
Amount	\$ 3,500,000	\$500,000	\$1,300,000	\$200,000	\$ 5,500,000
Insured					
Number	5,970	150	40	0	6,160
Amount	22,400,000	600,000	2,000,000	0	25,000,000
<u>1957 (Estimated)</u>					
Direct					
Number	935	250	26	9	1,220
Amount	3,500,000	500,000	1,300,000	200,000	5,500,000
Insured					
Number	5,970	150	40	0	6,160
Amount	22,400,000	600,000	2,000,000	0	25,000,000

See Tables I, II and III for distribution by states.

5. Use of Loan Funds: A survey of use of loan funds during the 1955 fiscal year showed that 83 percent of the direct and insured soil and water conservation loans approved for individuals were used for irrigation purposes. Approximately 6 percent of the loan funds were used for farmstead water facilities purposes, and 2 percent for drainage, and 9 percent for such soil conservation purposes as terracing, pasture improvement, etc. Borrowers planned about 32,000 acres of pasture improvement and about 14,000 acres of drainage. The funds being used for irrigation involve about 264,000 acres.

The following table shows the status of the accounts of individuals and associations receiving water facilities loans from inception of that program until September 1955, when the new soil and water conservation loan program was launched.

<u>Loan Advances</u>	<u>Matured Principal</u>	<u>Principal Repayments</u>	<u>Interest Payments</u>	<u>Total Payments</u>	<u>Ratio of Prin- cipal Repayments to Matured Principal</u>
\$36,996,133	\$16,383,950	\$16,483,115	\$2,563,722	\$19,046,837	100.6%

See Table IV for distribution by states.



UNITED STATES DEPARTMENT OF AGRICULTURE
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Table I - Water Facilities Loans to Individuals and Groups - Number of Loans and Average Amount, 1953, 1954 and 1955 Fiscal Years and Cumulative From Inception of Program Through September 16, 1954, When the Water Facilities Program, Limited to the Seventeen Western States, was Expanded to the Entire Nation as the Soil and Water Conservation Program

State	1953 fiscal year				1954 fiscal year				1955 fiscal year through September 16, 1954				Cumulative through September 16, 1954			
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent		Initial		Subsequent	
	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
U. S. Total.....	1,173	\$3,934	121	\$2,264	1,036	\$4,526	139	\$2,118	452	\$4,496	46	\$1,978	15,692	\$1,758	2,607	\$808
Loans to Individuals																
Arizona.....	49	7,966	5	5,780	69	7,377	5	3,560	22	11,181	2	4,550	353	4,806	58	1,909
Arkansas.....	0	0	0	0	0	0	0	0	1	1,400	0	0	1	1,400	0	0
California.....	78	4,620	9	3,856	72	5,186	11	1,845	27	4,838	1	1,700	854	2,966	109	1,324
Colorado.....	81	4,707	11	2,418	63	4,956	8	1,983	21	4,596	2	1,615	796	2,161	88	1,190
Idaho.....	92	3,384	6	2,105	97	3,571	14	1,412	25	4,072	2	625	1,204	1,511	174	712
Kansas.....	44	4,826	3	1,667	55	5,579	9	3,177	14	8,214	4	1,478	633	1,836	69	901
Missouri.....	0	0	0	0	0	0	0	0	1	1,391	1	100	38	1,391	1	100
Montana.....	85	3,091	17	1,964	65	3,149	21	1,957	33	4,898	2	2,458	832	2,041	125	1,192
Nebraska.....	63	5,894	5	3,260	77	6,059	2	2,385	58	7,694	4	3,019	815	2,606	50	1,394
Nevada.....	4	5,000	0	0	4	4,700	2	2,850	1	3,400	0	0	64	2,068	17	1,440
New Mexico.....	58	5,166	4	3,555	59	4,442	6	2,710	23	4,032	5	680	550	2,528	168	766
New York.....	0	0	0	0	0	0	0	0	1	4,000	0	0	1	4,000	0	0
North Dakota.....	49	1,946	6	832	32	1,657	2	805	5	2,040	0	0	474	924	36	517
Oklahoma.....	168	2,902	12	1,440	111	5,147	18	2,041	64	2,981	3	2,807	2,022	1,170	367	479
Oregon.....	60	3,533	4	2,452	43	3,502	3	1,805	12	2,943	2	2,455	873	1,622	91	835
South Dakota.....	24	4,528	1	5,375	18	3,636	1	4,100	5	2,145	1	2,850	459	1,077	40	998
Texas.....	136	3,590	5	887	141	4,083	7	2,014	49	3,716	2	615	2,921	1,299	850	545
Utah.....	47	3,701	17	1,418	42	3,735	15	1,645	14	4,625	7	2,674	797	1,684	133	1,289
Washington.....	91	3,496	13	1,845	59	3,468	10	2,158	45	2,742	6	1,407	1,048	2,232	136	1,230
Wyoming.....	44	2,763	3	4,070	29	3,846	5	3,210	4	4,149	2	2,370	957	1,117	95	804
U. S. Total.....	32	\$30,908	8	\$6,688	37	\$38,555	7	\$12,507	12	\$27,555	11	\$14,027	260	\$25,888	77	\$8,781
Loans to Groups																
Arizona.....	0	0	0	0	0	0	0	0	0	0	0	0	9	28,556	3	20,833
California.....	1	22,500	0	0	1	100,000	1	12,800	0	0	0	0	6	37,583	4	11,575
Colorado.....	3	23,700	1	5,000	4	21,888	0	0	1	40,000	0	4,200	36	22,316	12	8,133
Idaho.....	0	0	2	8,500	1	50,000	1	34,000	0	0	1	7,000	36	21,569	14	7,610
Kansas.....	0	0	0	0	0	0	0	0	1	9,750	0	0	2	18,375	0	0
Montana.....	2	7,750	1	5,300	2	62,500	0	0	0	0	1	5,000	16	27,642	4	8,625
Nevada.....	2	99,500	1	4,500	1	50,000	0	0	0	0	0	0	9	42,511	1	4,500
New Mexico.....	2	30,000	0	0	2	62,500	0	0	0	0	0	3,000	17	23,717	4	2,425
North Dakota.....	0	0	0	0	0	0	0	0	0	0	0	0	1	15,000	0	0
Oregon.....	3	33,157	0	0	3	58,333	0	0	1	15,750	1	23,600	15	31,615	3	10,325
Utah.....	4	35,175	1	1,950	10	20,520	3	9,667	1	9,000	1	60,000	44	24,810	15	11,562
Washington.....	15	25,386	1	13,000	11	43,936	2	5,875	8	32,020	5	10,300	63	25,518	15	6,523
Wyoming.....	0	0	1	6,750	2	12,750	0	0	0	0	0	0	6	35,883	2	6,125

UNITED STATES DEPARTMENT OF AGRICULTURE
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Table II - Soil and Water Conservation and Water Facilities Loans to Individuals and Groups: Number and Amount of Direct Loans, 1955 Fiscal Year

State and territory	Loans to individuals						Loans to groups					Total amount to individuals and groups
	Initial			Subsequent			Initial		Subsequent			
	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	
1	2	3	4	5	6	7	8	9	10	11		
U. S. Total.....	657	\$2,464,975	\$3,752	48	\$101,742	22	\$1,160,710	\$52,760	17	\$294,300	\$4,021,727	
Soil and Water.....	205	432,680	2,111	2	4,400	10	830,050	83,005	6	140,000	1,407,130	
Water Facilities....	452	2,032,295	4,496	46	97,342	12	330,660	27,555	11	154,300	2,614,597	
Arizona.....	22	245,975	11,181	2	9,191	0	0	0	1	10,000	265,166	
Arkansas.....	1	1,400	1,400	0	0	0	0	0	0	0	1,400	
California.....	27	130,630	4,838	1	1,736	0	0	0	0	0	132,366	
Colorado.....	21	96,525	4,596	2	8,789	2	90,000	45,000	2	66,200	261,514	
Idaho.....	25	101,810	4,072	2	1,257	0	0	0	2	48,000	151,067	
Kansas.....	14	115,000	8,214	4	5,914	1	9,750	9,750	0	0	130,664	
Missouri.....	41	55,125	1,345	1	102	0	0	0	0	0	55,227	
Montana.....	23	112,645	4,898	2	4,933	2	358,000	179,000	2	12,000	487,578	
Nebraska.....	58	446,245	7,694	4	12,075	0	0	0	0	0	458,320	
Nevada.....	1	3,400	3,400	0	0	0	0	0	1	10,000	13,400	
New Mexico.....	23	92,725	4,032	5	3,558	0	0	0	1	3,000	99,283	
New York.....	1	4,000	4,000	0	0	0	0	0	0	0	4,000	
North Dakota.....	5	10,200	2,040	0	0	0	0	0	0	0	10,200	
Oklahoma.....	64	190,810	2,981	3	8,420	0	0	0	0	0	199,230	
Oregon.....	12	30,520	2,543	2	4,920	4	96,600	24,150	1	23,600	155,640	
South Dakota.....	6	16,425	2,738	1	3,108	0	0	0	0	0	19,533	
Texas.....	51	185,110	3,630	2	1,277	0	0	0	0	0	186,387	
Utah.....	14	64,745	4,625	7	18,748	2	259,000	129,500	2	70,000	412,493	
Washington.....	45	123,380	2,742	6	8,531	10	295,360	29,536	5	51,500	478,771	
Wyoming.....	4	16,595	4,149	2	4,783	1	52,000	52,000	0	0	73,378	
Puerto Rico.....	198	420,710	2,125	2	4,400	0	0	0	0	0	425,110	
Virgin Islands.....	1	1,000	1,000	0	0	0	0	0	0	0	1,000	

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Table III - Soil and Water Conservation Loans to Individuals and Groups: Number and Amount of Insured Loans, From Inception of Program on September 17, 1954 Through June 30, 1955

State and territory	Loans to individuals				Loans to groups				Total amount to individuals and groups	
	Initial		Subsequent		Initial		Subsequent			
	Number	Amount	Average amount	Number	Amount	Number	Average amount	Number		Amount
1	2	3	4	5	6	7	8	9	10	11
2,821	\$14,800,463	\$5,247	95	\$370,266	9	\$142,100	\$15,789	5	\$156,550	\$15,469,379
Alabama.....	43	179,610	4,177	0	0	0	0	0	0	179,610
Arizona.....	47	530,390	11,285	4	26,750	0	0	0	0	551,140
Arkansas.....	285	1,272,555	4,465	1	1,225	2,950	1,475	0	0	1,276,730
California.....	91	422,101	4,671	8	22,355	0	0	0	0	447,456
Colorado.....	55	239,900	4,362	3	5,200	20,500	10,250	0	0	265,600
Connecticut.....	1	4,900	4,900	0	0	0	0	0	0	4,900
Delaware.....	2	9,190	4,595	0	0	0	0	0	0	9,190
Florida.....	103	624,302	6,061	0	0	0	0	0	0	624,302
Georgia.....	165	798,830	4,841	5	7,100	0	0	0	0	805,930
Ideaho.....	53	282,630	5,333	5	15,285	27,000	13,500	2	14,550	339,465
Illinois.....	31	87,790	2,832	0	0	0	0	0	0	87,790
Indiana.....	20	67,335	3,367	0	0	0	0	0	0	67,335
Iowa.....	34	98,495	2,897	1	3,500	0	0	0	0	101,995
Kansas.....	131	1,064,961	8,129	5	7,661	0	0	0	0	1,072,622
Kentucky.....	14	33,305	2,379	0	0	0	0	0	0	33,305
Louisiana.....	54	289,475	5,361	0	0	0	0	0	0	289,475
Maine.....	2	4,400	2,200	0	0	0	0	0	0	4,400
Maryland.....	11	57,335	5,212	0	0	0	0	0	0	57,335
Massachusetts.....	1	14,900	14,900	0	0	0	0	0	0	14,900
Michigan.....	40	181,055	4,526	0	0	0	0	0	0	181,055
Minnesota.....	5	11,900	2,380	0	0	0	0	0	0	11,900
Mississippi.....	149	791,745	5,314	0	0	0	0	0	0	791,745
Missouri.....	118	332,610	2,819	3	3,675	0	0	0	0	336,285
Montana.....	25	100,540	4,022	1	1,250	0	0	0	0	101,790
Nebraska.....	108	667,603	6,182	4	12,880	0	0	0	0	680,483
Nevada.....	8	36,875	4,609	1	12,000	0	0	1	90,000	138,875
New Jersey.....	17	76,225	4,484	0	0	0	0	0	0	76,225
New Mexico.....	132	894,600	6,777	5	17,750	0	0	0	0	912,350
New York.....	17	57,060	3,356	0	0	0	0	0	0	57,060
North Carolina.....	173	603,995	3,491	1	1,920	0	0	0	0	605,915
North Dakota.....	11	15,305	1,391	0	0	0	0	0	0	15,305
Ohio.....	11	48,830	4,439	0	0	0	0	0	0	48,830
Oklahoma.....	195	1,384,290	7,089	9	46,720	0	0	0	0	1,431,010
Oregon.....	35	99,039	2,829	6	12,515	0	0	0	0	111,545
Pennsylvania.....	11	18,615	1,692	0	0	0	0	0	0	18,615
South Carolina.....	169	608,971	3,603	2	1,605	0	0	0	0	610,576
South Dakota.....	6	16,315	2,719	0	0	0	0	0	0	16,315
Tennessee.....	34	97,100	2,856	0	0	0	0	0	0	97,100
Texas.....	278	2,187,065	7,867	17	132,640	0	0	0	0	2,319,705
Utah.....	30	93,290	3,110	8	16,875	0	0	1	24,000	134,165
Vermont.....	1	3,500	3,500	0	0	0	0	0	0	3,500
Virginia.....	20	108,185	5,409	0	0	0	0	0	0	108,185
Washington.....	25	122,625	4,905	3	3,360	55,200	55,200	1	28,000	209,185
West Virginia.....	19	29,630	1,559	0	0	0	0	0	0	29,630
Wisconsin.....	26	42,050	1,617	0	0	0	0	0	0	42,050
Wyoming.....	14	61,070	4,362	3	18,000	36,450	18,225	0	0	115,520
Hawaii.....	1	24,980	24,980	0	0	0	0	0	0	24,980

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Table IV - Water Facilities Loans, Maturities and Collections,
Cumulative Through June 30, 1955 ^{1/}

(Does not include Advances and Collections on Soil and Water Conservation Loans Made Since September 17, 1954)

State	Cumulative loan obligations 2/ 1	Cumulative loan advances 2/ 2	Matured principal 3	Collections			Principal		Outstanding Principal balance of loan advances	Ratio of principal repayments to matured principal 10
				Principal repayments 4	Interest payments 5	Total 6	Write-offs 7	Judgments 8		
U. S. Total.....	\$37,115,974	\$36,996,133	\$16,383,950	\$16,483,115	\$2,563,722	\$19,046,837	\$11,224	\$4,351	\$20,497,443	100.64
Arizona.....	2,126,756	2,124,360	585,676	591,038	126,152	717,190	45	506	1,532,771	100.9
Arkansas.....	1,400	2,985	950	510	104	614	0	0	2,475	53.7
California.....	2,949,248	2,960,285	1,280,219	1,344,365	212,438	1,556,803	300	0	1,616,320	105.0
Colorado.....	2,711,161	2,723,879	1,061,371	1,035,891	187,613	1,223,504	1,084	0	1,686,704	97.6
Idaho.....	2,826,630	2,781,695	1,296,742	1,303,849	252,309	1,556,158	131	0	1,477,715	100.5
Kansas.....	1,261,267	1,264,669	511,875	492,718	68,444	561,162	991	0	770,960	96.3
Missouri.....	52,977	56,950	6,655	8,856	434	9,290	0	0	48,094	133.1
Montana.....	2,323,721	2,329,059	1,019,731	983,334	172,000	1,155,334	0	0	1,345,725	96.4
Nebraska.....	2,193,825	2,198,584	957,257	967,615	107,722	1,075,337	174	0	1,230,995	101.1
Nevada.....	543,960	547,386	151,887	152,584	42,818	195,402	0	0	394,802	100.5
New Mexico.....	1,932,038	1,926,293	818,890	803,635	110,360	913,995	4,179	0	1,118,479	98.1
New York.....	4,000	4,675	540	795	65	860	0	0	3,880	147.2
North Dakota.....	471,785	471,157	277,454	271,300	25,678	296,978	48	0	199,809	97.8
Oklahoma.....	2,542,556	2,541,927	1,221,774	1,235,896	139,802	1,375,698	639	400	1,304,992	101.2
Oregon.....	1,997,007	1,987,874	906,562	913,176	144,691	1,057,867	352	295	1,074,051	100.7
South Dakota.....	534,778	533,098	283,439	269,788	33,551	303,339	62	970	262,278	95.2
Texas.....	4,258,558	4,274,275	2,924,255	2,932,093	295,036	3,227,129	2,163	240	1,339,779	100.3
Utah.....	2,778,646	2,679,151	889,275	948,991	251,354	1,200,345	613	1,147	1,728,400	106.7
Washington.....	4,211,887	4,216,661	1,356,610	1,393,606	271,216	1,664,822	68	793	2,822,194	102.7
Wyoming.....	1,373,374	1,370,670	832,788	833,075	121,935	955,010	375	0	537,220	100.0

^{1/} Includes Water Facilities loans to individuals and groups.

^{2/} Amounts reflected are cumulative obligations from inception of the program, including \$3,035,258 obligations from "Loans, Grants and Rural Rehabilitation" funds. Loan advances represent charges to borrowers' accounts. The difference between obligations and advances represents unliquidated obligations, non-cash advances, and transfers of accounts between states for collection purposes.

(c) Grants, Farm Housing

Pursuant to section 504(a) of the Housing Act of 1949, the 1951 Agricultural Appropriation Act provided an appropriation of \$400,000, to remain available until expended, for making grants to farm owners to make dwellings and other farm buildings safe and sanitary. No such grants have been made since 1953. The unobligated balance of \$500 available in fiscal year 1955 was transferred to the item "Foot-and-mouth and other contagious diseases of animal and poultry, Agricultural Research Service", pursuant to provisions in the annual appropriation acts.

(d) Disaster Loans, etc., Revolving Fund
Department of Agriculture

STATUS OF PROGRAM

Establishment of Revolving Fund and Authorization for Production Emergency Loans:

Public Law 38, approved April 6, 1949, abolished the Regional Agricultural Credit Corporation, established the Disaster Loan Revolving Fund from the assets of the Corporation so abolished, and authorized the Secretary to make production emergency loans to eligible farmers and stockmen in designated areas who have suffered damage as the result of floods, storms, freezes, drought, or similar disasters and who are unable to obtain needed credit from banks or other established sources to enable them to continue their operations. Public Law 38 also contained authorization for loans to bona fide fur farmers. This authorization expired June 30, 1953, except for further supplementary advances as needed to farmers presently indebted as authorized by Public Law 255, approved August 13, 1953. Public Law 665, 81st Congress, provided for the making of loans to orchardists in the State of Washington. This authorization expired August 5, 1953.

Emergency Disaster Assistance Programs and Authority, Fiscal Years 1955 and 1956:

Emergency disaster assistance programs in the fiscal years 1955 and 1956 are indicated below:

- (1) Production emergency loans (including loans in 1956 in the Great Plains drought area)
- (2) Economic emergency loans
- (3) Special emergency loans
- (4) Special livestock loans
- (5) Emergency assistance in furnishing feed and seed
- (6) Assistance in furnishing hay to eligible farmers
- (7) Assistance for wind erosion control and land restoration practices under the Agricultural Conservation Program

Following are the authorizations for these programs:

Public Law 115, 83rd Congress, approved July 14, 1953, amended Public Law 38 to authorize additional assistance to farmers and stockmen through economic emergency loans, special livestock loans, and emergency assistance in furnishing feed and seed as follows:

1. Economic Emergency Loans. Loans at 3 percent interest may be made in any disaster area declared by the President under Public Law 875 (42 U.S.C. 1855), if the Secretary finds that an economic disaster has also caused a need for agricultural credit that cannot be met temporarily by regularly established lending institutions, including the regular lending programs of the Farmers Home Administration.

2. Special Livestock Loans. Loans may be made at 5 percent interest to established livestock producers who are temporarily unable to secure credit from recognized lenders and who have a reasonable chance of working out their difficulties with supplementary financing. This authority was originally for two years subsequent to July 14, 1955, but was extended through 1957 for initial loans and through 1959 for subsequent loans by Public Law 166, approved July 15, 1955.
3. Emergency Assistance in Furnishing Feed and Seed. Feed for livestock or seeds for planting may be furnished to established farmers, ranchers or stockmen in connection with any major disaster determined by the President to warrant Federal assistance under Public Law 875 (42 U.S.C., 1855). Under this authority, feed grain and concentrates, principally cottonseed meal, corn, wheat, oats, and mixed feeds, were furnished at less than market cost to eligible farmers in designated areas through the facilities of the Commodity Stabilization Service, the Farmers Home Administration, and special State and local drought committees.

Special Emergency Loans. Public Law 727, approved August 31, 1954, authorized the Secretary until June 30, 1955, to make special emergency loans in any area where he found a need for credit which could not be met by regular financial institutions, the Farmers Home Administration under its regular loan programs, or through authorities contained in Public Law 38. Activity under this program was extended through the 1956 and 1957 fiscal years by Public Law 117, approved June 30, 1955. The program is limited to \$15,000,000 to be financed from the Disaster Loan Revolving Fund.

Additional Appropriation to Disaster Loan Revolving Fund. Public Law 175, 83rd Congress, approved July 31, 1953, appropriated \$130,000,000 as an addition to the Disaster Loan Revolving Fund for the purposes of Public Law 115. Of this amount, \$40,000,000 was specified for the furnishing of feed including the charges incurred under an allocation of \$8,000,000 from the President's Disaster Relief Fund, which was used to initiate the emergency feed program. The limitation of \$40,000,000 was subsequently increased (by Public Law 357, approved May 11, 1954) to \$50,000,000, and provision was made for furnishing emergency feed and seed assistance by means of advances to States or agencies thereof, or otherwise.

Emergency Feed Program. On November 16, 1953, pursuant to the authority of Public Law 875, 81st Congress, the President directed the Commodity Credit Corporation to furnish supplies of feed acquired by it in carrying out price support operations for use in the drought emergency program, such supplies to be furnished without reimbursement from presently appropriated funds. The directive was effective from the inception of the program on June 26, 1953. Under the directive, costs incurred by the Corporation in handling, processing, shipping, and otherwise distributing supplies of feed were defrayed from the \$50,000,000 available under the Disaster Loan Revolving Fund for supplying emergency feed. An appropriation of \$42,100,000 was made in the 1956 Appropriation Act to reimburse the Corporation for losses representing the difference between the value of the feed furnished under the directive and the sales price received by the Corporation.

Emergency Assistance in Supplying Hay, Fiscal Years 1954, 1955, and 1956. Another activity undertaken by the Department under the authority of Public Law 875 is the execution of agreements with States to assist them in furnishing hay to eligible farmers. Under these agreements the Department contributes a definite sum to the State to defray one-half the cost of transportation of the hay (not to exceed \$10 per ton) and the State assumes full responsibility for purchasing and distributing the hay to farmers eligible under the emergency feed program. The hay program conducted in the fiscal year 1954 was financed from an allocation from the President's Disaster Relief Fund, which was subsequently reimbursed from the Disaster Loan Revolving Fund. A similar program inaugurated in 1955 was financed from the balance of the \$50,000,000 made available in the Disaster Loan Revolving Fund for emergency feed and seed assistance. In the fiscal year 1956, an agreement has been concluded with the State of North Carolina providing for assistance in furnishing hay to farmers in that State to alleviate the disastrous effects of three hurricanes which occurred in the Fall of 1955.

Special Feed Grain Program, Fiscal Year 1955. Section 301 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83rd Congress) authorizes the use of surplus grains of the Commodity Credit Corporation in disaster areas designated under Public Law 875. Under this program eligible farmers and ranchers, whose applications are approved by the local Farmers Home Administration committee, purchase grain at a reduced cost of \$1.00 per hundredweight (prior to September 15, 1954, the reduction was 60 cents) below the local price. Administrative expenses and operating costs are financed from the balance of the \$50,000,000 made available in the Disaster Loan Revolving Fund for emergency feed programs. The law provided that handling and transportation costs in making delivery of the grain to central locations within each State might be borne by the Commodity Credit Corporation.

Assistance to States in Wind Erosion Control, Fiscal Year 1954. Under the general statutory authority of Public Law 875, the Department, in March 1954, was authorized to use a portion of the \$10,000,000 previously allocated to it from the President's Disaster Fund for the hay program, to provide financial assistance on a reimbursable basis to States and local governments in carrying out their own programs of wind erosion control. Under the program \$200,000 was made available to Kansas under an agreement which expired on June 1, 1954. Kansas actually used \$5,800, and the balance of the \$200,000 was returned to the Department. The State of Kansas has subsequently repaid the \$5,800 advance.

Special ACP Assistance in Drought Areas, Fiscal Years 1954 - 1956. The Third Supplemental Appropriation Act, 1954 (Public Law 357, 83rd Congress, approved May 11, 1954) provided an additional \$15,000,000 for the 1954 Agricultural Conservation Program to be used for payments to farmers who carry out emergency wind erosion control measures in counties designated by the Governors of the respective States with the approval of the Secretary of Agriculture. The Second Supplemental Appropriation Act, 1955 (Public Law 24, approved April 22, 1955) continued the balances forward for use through December 31, 1955. An additional \$5,000,000 was provided for this purpose by the Supplemental Appropriation Act, 1956 (Public Law 219, approved August 14, 1955).

Special ACP Assistance in Flood Areas, Fiscal Year 1956. An allocation of \$500,000 has recently been made from the President's Disaster Relief Fund to provide for emergency conservation measures in areas damaged by floods as a result of hurricanes. This allocation is being used primarily in Massachusetts, Connecticut and North Carolina to supplement measures which can be carried out under the regular 1956 Agricultural Conservation Program.

Cumulative Activity Under the Various Loan Authorizations to June 30, 1955:

<u>Principal Advances</u>	<u>Principal Maturities</u>	<u>Principal Repayments</u>	<u>Principal Outstanding</u>	<u>Interest Payments</u>	<u>Percent Principal Repayments to Maturities</u>
<u>Production Emergency Loans</u>					
\$184,835,698	\$154,041,172	\$139,189,163	\$45,398,686	\$4,066,421	90.4%
<u>Economic Emergency Loans</u>					
65,723,740	25,227,460	22,650,045	43,072,795	466,532	89.8%
<u>Special Emergency Loans</u>					
1,551,166	3,945	13,852	1,537,314	34	351.1%
<u>Fur Loans</u>					
5,396,180	5,172,109	4,823,180	573,000	242,498	93.3%
<u>Orchard Loans</u>					
267,130	267,130	264,240	2,890	5,957	98.9%
<u>Special Livestock Loans</u>					
53,989,031	24,937,734	23,590,184	30,391,481	1,330,200	94.6%

Since inception of the various programs, principal write-offs to June 30, 1955 totaled \$49,669. A total of \$205,546 has been reduced to judgment.

1955 Program:

1. Lending Activities. During the 1955 fiscal year a total of \$89,174,529 was obligated for production and economic emergency, special emergency and special livestock loans. The heaviest activity in the production emergency program continued to be in the Southwest and Middle Great Plains States, where effects of the long-time drought continued to create a heavy demand for loans. Economic emergency loans tended to be heaviest in the Southeastern areas and Texas. Special livestock loaning activity

was much less than in the 1954 fiscal year, with primary activity occurring in Texas, New Mexico, and Colorado. Special emergency loans to farmers in need of credit and unable to qualify under other programs of the Farmers Home Administration and unable to receive assistance from private and cooperative credit institutions were made in 7 states, including Colorado, Minnesota, New Jersey, New Mexico, Arizona, North Dakota and South Dakota. Emergency, special livestock, and other loans obligated from the Revolving Fund during the 1955 fiscal year were as follows:

	<u>Initial</u>		<u>Subsequent</u>		<u>Total</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Production emergency	18,508	\$20,451,282	6,331	\$7,964,780	24,839	\$28,416,062
Economic emergency	20,232	32,054,334	7,356	7,573,412	27,588	39,627,746
Special emergency	1,500	1,540,766	14	10,055	1,514	1,550,821
Fur	-0-	-0-	17	175,460	17	175,460
Special livestock	759	6,714,380	1,755	12,690,060	2,514	19,404,440

2. Emergency Feed Program. This program began in the fiscal year 1954 and continued to be used in disaster areas designated by the President during the 1955 fiscal year. Under this program, Commodity Credit Corporation-owned surplus feed grains, such as barley, corn, wheat, grain sorghums and oats, or approved mixed feeds containing a high percentage of the surplus feed grains, were furnished at less than market cost to eligible farmers in the designated areas through the facilities of the Commodity Stabilization Service. Applicants for this assistance are certified to receive feed by the Farmers Home Administration County Committees. During the 1955 fiscal year a total of 1,055 counties were designated under this program.

3. Assistance to States in Furnishing Hay. During the 1955 fiscal year hay distribution agreements were in effect in 18 states. A total of a little more than \$5 million was used for this purpose.

1956 Program:

During the 1956 fiscal year production economic and special emergency loans will be provided on the same basis as in 1955. The newly established program for the Great Plains Area, the needs in areas suffering severe damage from Hurricanes Connie and Diane, and the demand for loans in other areas is expected to cause an increase in production emergency loan activity during the 1956 fiscal year.

Special livestock loans will be available to farmers, ranchers, and stockmen needing credit to continue their livestock operations during the 1956 fiscal year.

While drought conditions have improved when compared with preceding years, it has been necessary, up to December 27, 1955, to designate 96 counties in eight states to receive emergency feed assistance. Additional counties may be designated if necessary. Also, donations of Commodity Credit Corporation owned surplus feed grains will be made to State agencies in specifically designated areas for distribution within the State to established farmers without cash or credit to purchase sufficient feed for their livestock. The feed will be used solely for maintaining livestock which, except for workstock, will be used only for food. In addition, North Carolina has been designated as eligible for hay assistance and an agreement concluded on November 9, 1955.

Disaster Loans, etc., Revolving Fund

Statement of Funds Available and Use, by Fiscal Year From Inception of Fund on April 6, 1949,
to June 30, 1955, and Estimates for Fiscal Years 1956 and 1957 ^{a/}

	1949	1950	1951	1952	1953	1954	1955	1956 estimated	1957 estimated
Funds available:									
By appropriation:									
For establishment of revolving fund for production disaster loans and transfer of net assets (cash) of the Regional Agricultural Credit Corporation to the fund (P. L. 38, approved April 6, 1949) ^{b/} ...	\$45,494,334	- -	- -	- -	- -	- -	- -	- -	- -
For flood rehabilitation in the Midwest area (P. L. 202, approved October 24, 1951).....	- -	- -	- -	\$30,000,000	- -	- -	- -	- -	- -
For assistance to farmers and stockmen through economic disaster loans, special livestock loans, and emergency assistance in furnishing feed and seed (P. L. 175, approved July 31, 1953).....	- -	- -	- -	- -	- -	\$130,000,000	- -	- -	- -
Balance available from prior fiscal year.....	- -	\$44,257,538	\$13,821,409	15,436,291	\$32,617,589	17,184,381	\$62,414,338	\$39,212,460	\$58,112,992
Receipts:									
Loan principal repayments:									
Production emergency loans.....	- -	1,293,772	21,016,406	19,215,624	28,596,432	35,438,399	32,479,745	29,248,784	32,000,000
Economic emergency loans.....	- -	- -	- -	- -	- -	770,629	21,078,244	36,302,072	18,900,000
Special livestock loans.....	- -	- -	- -	- -	- -	4,093,677	18,786,422	18,710,005	16,500,000
Special emergency loans.....	- -	- -	- -	- -	- -	- -	13,852	1,400,000	1,800,000
Fur loans.....	- -	243,019	1,282,416	986,456	1,034,172	759,730	501,609	267,778	180,000
Orchard loans.....	- -	- -	5,420	92,245	74,580	88,674	- -	- -	- -
Regional Agricultural Credit Corporation loans.....	- -	18,624	86,233	41,694	21,316	6,393	6,011	5,000	5,000
Interest and other collections.....	- -	74,812	640,200	673,210	868,125	1,212,005	2,662,591	4,407,952	3,567,500
Total receipts.....	- -	1,630,227	23,030,675	21,009,229	30,594,625	42,369,507	75,528,474	90,341,591	72,952,500
Total available.....	45,494,334	45,887,765	36,852,084	66,445,520	63,212,214	189,553,888	137,942,812	129,554,051	131,065,492
Obligations:									
Loans made:									
Production emergency loans.....	974,948	29,833,887	19,198,873	31,491,775	43,225,067	31,835,196	28,416,062	37,700,000	29,500,000
Economic emergency loans.....	- -	- -	- -	- -	- -	26,521,133	39,627,746	15,000,000	9,300,000
Special livestock loans.....	- -	- -	- -	- -	- -	35,429,749	19,404,440	12,000,000	10,000,000
Special emergency loans.....	- -	- -	- -	- -	- -	- -	1,550,821	2,000,000	2,000,000
Fur loans.....	239,442	1,746,890	1,093,702	902,490	780,240	299,600	175,460	100,000	100,000
Orchard loans.....	- -	- -	88,905	73,645	89,290	15,290	- -	- -	- -
Hay program.....	- -	- -	- -	- -	- -	c/3,291,328	c/5,139,254	- -	- -
Transportation and other costs in connection with emergency feed furnished to farmers and stockmen.....	- -	- -	- -	- -	- -	c/27,731,169	- -	- -	- -
Administrative expenses.....	22,406	485,579	1,034,313	1,360,021	1,933,236	2,016,085	4,416,569	4,641,059	3,225,000
Total obligations.....	1,236,796	32,066,356	21,415,793	33,827,931	46,027,833	127,139,550	98,730,352	71,441,059	54,125,000
Unobligated balance.....	44,257,538	13,821,409	15,436,291	32,617,589	17,184,381	62,414,338	39,212,460	58,112,992	76,940,492

- ^{a/} Exclusive of accrued interest on loans and miscellaneous accounts receivable.
^{b/} In addition, net assets (other than cash) of \$363,811 were acquired from the Regional Agricultural Credit Corporation.
^{c/} These figures have been adjusted to take into account obligations cancelled as well as refunds from states in each fiscal year.

Table I - Loans Made From the Disaster Loan Revolving Fund Under Public Law 38, as Amended,
During 1955 Fiscal Year

Table I - Loans Made From the Disaster Loan Revolving Fund Under Public Law 38, as Amended,
During 1955 Fiscal Year

State and territory	Production Emergency loans		Economic and Special Emergency loans		Special Livestock loans		Fur loans		Total loans	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1	2	3	4	5	6	7	8	9	10	
J. S. Total.....	24,832	\$28,416,062	29,102	\$41,178,567	2,514	\$12,404,440	17	\$173,460	56,472	\$59,174,522
Initial loans.....	18,508	20,451,282	7,370	33,595,100	759	6,714,380	0	0	40,999	60,760,762
Subsequent loans.....	6,331	7,964,780	7,370	7,583,467	1,755	12,690,060	17	175,460	15,473	28,413,767
Economic emergency.....			27,588	39,627,746						
Special emergency.....			1,514	1,550,821						
Alabama.....	1,872	1,449,522	28	48,160	20	62,230	0	0	1,920	1,559,912
Arizona.....	0	0	23	105,555	7	115,040	0	0	30	220,595
Arkansas.....	707	794,089	3,498	4,835,705	174	194,590	0	0	4,379	5,784,384
California.....	2	14,201	0	0	5	161,590	0	0	3	176,111
Colorado.....	740	1,375,711	191	298,700	236	2,556,830	4	61,955	1,171	4,293,196
Connecticut.....	1	3,800	0	0	0	0	0	0	1	3,800
Delaware.....	3	8,800	0	0	0	0	0	0	3	8,800
Florida.....	30	317,424	50	427,435	16	209,500	0	0	0	954,359
Georgia.....	1,806	3,104,990	0	0	11	41,415	0	0	1,817	3,146,365
Idaho.....	27	309,616	0	0	15	321,630	0	0	42	631,246
Illinois.....	405	456,065	0	0	0	0	0	0	405	456,065
Indiana.....	0	0	0	0	1	500	0	0	1	500
Iowa.....	15	18,638	0	0	0	0	0	0	15	18,638
Kansas.....	128	112,657	1,037	1,724,779	92	1,121,440	0	0	1,257	2,958,876
Kentucky.....	94	55,138	97	69,380	8	12,750	0	0	199	137,268
Louisiana.....	647	594,586	997	943,820	3	2,425	0	0	1,647	1,500,831
Maine.....	39	78,140	719	2,139,610	0	0	0	0	758	2,217,750
Maryland.....	22	75,410	1	1,200	1	1,200	0	0	23	76,610
Massachusetts.....	10	48,890	0	0	0	0	0	0	10	48,890
Michigan.....	53	77,825	0	0	2	17,500	8	63,095	63	158,420
Minnesota.....	0	0	652	612,481	2	3,900	0	0	654	616,381
Mississippi.....	961	956,372	1,906	1,858,360	0	0	0	0	2,867	2,814,732
Missouri.....	1,490	1,772,305	2,304	2,307,575	334	563,980	0	0	4,128	4,643,860
Montana.....	0	15,125	0	0	113	1,369,380	0	0	116	1,384,505
Nebraska.....	0	0	0	0	3	64,500	0	0	3	64,500
Nevada.....	3	14,730	0	0	14	416,745	0	0	17	431,475
New Hampshire.....	1	15,000	0	0	1	600	0	0	2	15,600
New Jersey.....	71	178,935	58	114,675	11	15,800	0	0	140	309,410
New Mexico.....	159	287,815	535	1,062,400	284	2,205,150	0	0	978	3,555,365
New York.....	5	83,020	0	0	6	8,605	2	37,660	13	129,285
North Carolina.....	1,566	1,087,533	2,674	2,744,671	1	1,600	0	0	4,241	3,833,804
North Dakota.....	4,670	3,853,079	544	436,635	0	0	0	0	5,414	4,289,714
Ohio.....	1	500	0	0	1	1,500	0	0	2	2,000
Oklahoma.....	201	153,986	2,238	1,865,146	187	1,212,935	0	0	2,626	3,232,067
Oregon.....	13	75,235	0	0	9	136,115	0	0	22	213,350
Pennsylvania.....	0	0	0	0	22	49,190	0	0	22	49,190
Rhode Island.....	1	2,200	0	0	0	0	0	0	1	2,200
South Carolina.....	3,735	2,946,454	0	0	1	3,000	0	0	3,736	2,949,454
South Dakota.....	698	527,302	218	228,390	441	377,455	0	0	955	1,133,147
Tennessee.....	282	159,212	995	635,415	16	14,520	0	0	1,293	644,947
Texas.....	4,047	7,230,002	9,955	18,486,830	799	7,111,660	0	0	14,801	32,888,492
Utah.....	0	0	0	0	31	472,930	0	0	31	472,930
Vermont.....	0	0	0	0	0	0	0	0	0	0
Virginia.....	56	113,763	382	230,345	10	58,955	0	0	448	403,063
Washington.....	0	0	0	0	1	47,455	3	12,750	4	66,205
West Virginia.....	0	0	0	0	3	2,325	0	0	3	2,325
Wisconsin.....	0	0	0	0	0	0	0	0	0	0
Wyoming.....	77	92,072	1	2,500	32	429,380	0	0	110	523,952
Alaska.....	0	0	0	0	0	0	0	0	0	0
Hawaii.....	0	0	0	0	0	0	0	0	0	0
Puerto Rico.....	0	0	0	0	1	16,000	0	0	1	16,000
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0

Table II - Loans Made From the Disaster Loan Revolving Fund Under Public Law 38, as Amended, Cumulative From Inception of Each Program Through June 30, 1955

Table II - Loans Made From the Disaster Loan Revolving Fund Under Public Law 38, as Amended, Cumulative From Inception of Each Program Through June 30, 1955

State and Territory	Production Emergency loans			Economic and Special Emergency loans			Special Livestock loans			Fur loans			Total loans			
	Number	Amount	2	Number	Amount	4	Number	5	Amount	6	Number	7	Amount	8	Number	Amount
U. S. Total.....	144,438	\$185,242,938		44,252	\$67,669,700		6,446		\$54,834,189		632		\$5,237,894		129,769	\$313,034,651
Initial loans.....	115,478	147,045,755		38,801	58,998,930		1,221		40,846,263		324		2,673,777		159,780	249,764,615
Subsequent loans.....	28,960	38,197,183		9,451	8,700,170		2,225		13,987,926		308		2,564,097		40,944	63,269,976
Economic emergency.....																
Special emergency.....																
Alabama.....	7,487	5,284,867													7,756,	5,746,092
U. S. Total.....	234	244,120		35					217,105		0		0		79	932,364
Alabama.....	28	69,419		23	105,555		28		757,390		0		0		20,145	29,510,776
Arizona.....	12,736	19,290,446		6,866	9,426,380		543		793,950		0		0		902	5,060,957
Arkansas.....	879	4,318,640		0			20		725,717		3		16,600		2,549	11,844,106
California.....	1,668	3,756,506		276	438,090		468		6,309,158		137		1,340,352			
Colorado.....																
Connecticut.....	31	99,215		0	0		0		0		0		0		31	99,215
Delaware.....	3	8,800		0	0		0		0		0		0		3	8,800
Florida.....	470	3,198,978		76	651,815		57		803,115		0		0		603	4,653,906
Georgia.....	9,410	10,870,552		0	0		43		313,115		0		0		9,183	11,183,667
Idaho.....	182	815,151		0	0		4		1,166,840		21		88,240		245	2,090,431
Illinois.....	468	539,005		0	0		2		18,600		21		443,260		401	1,000,865
Indiana.....	43	24,608		0	0		10		16,400		11		112,715		25	368,743
Iowa.....	286	234,699		0	0		10		4,000		0		0		288	238,743
Kansas.....	2,174	2,225,851		1,599	2,994,669		208		2,667,285		0		0		3,981	7,887,892
Kentucky.....	1,157	619,893		1,121	662,705		37		70,320		0		0		2,315	1,352,918
Louisiana.....	3,532	4,678,235		1,303	1,202,190		10		83,075		0		0		4,845	5,963,500
Maine.....	193	301,635		719	2,139,610		0		0		0		0		912	2,441,245
Maryland.....	22	75,411		0	0		1		1,200		0		0		23	76,611
Massachusetts.....	76	392,636		0	0		7		13,000		1		5,000		84	410,636
Michigan.....	77	135,632		0	0		4		30,500		83		721,287		164	887,419
Minnesota.....	618	451,089		692	612,481		6		25,195		15		87,883		1,291	1,176,649
Mississippi.....	13,842	18,910,916		2,261	2,439,670		4		29,195		0		0		16,107	21,379,761
Missouri.....	11,689	17,125,225		5,212	6,066,603		1,171		1,673,200		0		0		18,072	24,865,028
Montana.....	371	694,167		0	0		234		4,461,178		1		3,000		666	5,158,345
Nebraska.....	73	107,397		0	0		9		157,940		0		0		82	265,337
Nevada.....	43	420,480		0	0		60		1,277,485		0		0		103	1,697,975
New Hampshire.....	19	166,868		0	0		17		5,910		0		0		26	112,790
New Jersey.....	253	765,683		58	114,675		41		65,900		11		31,300		403	977,923
New Mexico.....	564	1,031,559		932	2,089,505		618		5,970,430		1		2,800		2,105	8,994,938
New York.....	232	1,651,559		0	0		42		51,070		11		160,296		285	1,863,367
North Carolina.....	6,915	4,742,448		3,340	3,164,411		2		4,915		0		0		10,287	7,011,774
North Dakota.....	13,790	9,966,885		544	436,635		5		17,835		0		0		14,339	10,441,355
Ohio.....	80	73,200		0	0		10		21,345		1		1,500		95	96,045
Oklahoma.....	6,639	5,016,245		3,457	2,864,611		398		3,534,860		0		0		10,494	11,415,716
Oregon.....	143	689,405		0	0		18		502,535		15		116,020		176	1,307,960
Pennsylvania.....	29	25,874		0	0		82		119,470		5		17,012		116	162,356
Rhode Island.....	26	83,447		0	0		0		0		0		0		26	83,447
South Carolina.....	14,396	9,850,188		0	0		2		10,870		0		0		14,398	9,861,058
South Dakota.....	4,714	3,514,691		218	228,390		117		1,383,535		3		15,000		5,092	5,171,616
Tennessee.....	3,480	2,154,794		1,838	1,187,580		45		53,740		0		0		5,363	3,396,114
Texas.....	24,402	45,592,755		17,024	30,296,375		1,782		18,487,900		0		0		43,208	94,377,030
Utah.....	119	538,536		0	0		70		1,042,637		134		494,045		323	2,075,218
Vermont.....	86	220,420		0	0		5		9,180		0		0		91	229,600
Virginia.....	394	2,259,656		497	330,070		713		237,380		0		0		964	2,887,106
Washington.....	136	503,154		0	0		1		47,455		80		485,975		217	1,036,584
West Virginia.....	9	26,765		1	1,000		15		26,840		0		0		55	54,605
Wisconsin.....	352	459,385		0	0		0		0		73		1,092,957		145	1,552,342
Wyoming.....	220	955,589		1	2,500		74		1,398,543		2		3,100		257	2,359,732
Alaska.....	0	0		0	0		0		0		0		0		0	0
Hawaii.....	54	76,130		0	0		6		37,875		0		0		60	114,005
Puerto Rico.....	22	69,370		0	0		1		16,000		0		0		23	85,370
Virgin Islands.....	0	0		0	0		0		0		0		0		0	0
Orchard loans																
Washington.....	48	267,130													48	267,130



(e) Farm Tenant-Mortgage Insurance Fund,
Farmers' Home Administration

This budget schedule covers an account established pursuant to Section 11 (a) and 12 (e) (2) of the Bankhead-Jones Farm Tenant Act, as amended, which authorized the appropriation of not to exceed \$25,000,000 for the establishment of the mortgage insurance fund. The sum of \$1,000,000 was appropriated in the Department of Agriculture Appropriation Act, 1948, as the initial capital for this fund. The authority for insuring loans as contained in the Bankhead-Jones Farm Tenant Act is restricted to farm ownership loans under Title I. Public Law 597, approved August 17, 1954, amending the Water Facilities Act of 1937, also authorizes the use of this Fund for insuring loans for soil and water conservation purposes.

The initial amount of \$1,000,000 is supplemented by initial and annual charges collected from insured loan borrowers and by such initial fees for inspection, appraisal and other charges in connection with farm ownership loans as the Secretary of Agriculture finds necessary. One-half of the initial and annual charges collected as the premium for insurance, and such amounts as are appropriated to the Fund under Section 11(a), are available for payments with respect to insured loans. Pursuant to the authority contained in the Act, moneys not needed for current operations are being invested in direct obligations of the United States. The other one-half of the initial and annual charges, together with such fees for inspection, appraisal and other charges as the Secretary may determine in connection with farm ownership loans are available for administrative expenses in carrying out the insured loan programs. It is estimated that receipts derived from these sources during the fiscal year 1955 available for administrative expenses in 1957 will amount to approximately \$525,000.

Assets of the capital fund, including receivables and the amount of \$1,000,000 originally appropriated are estimated to be approximately \$4,716,000 at June 30, 1956.

The number of farm ownership loans insured each year from the beginning of the program in October 1947 through the third quarter of the fiscal year 1951 showed a steady increase. The number insured in the fourth quarter of 1951 and in 1952, 1953 and 1954 decreased as a result of the lack of investment capital due primarily to the low interest rate then in effect. Actual loans for 1955 and estimates for 1956 show a marked increase over 1954 as a result of (1) the enactment of Public Law 521, amended July 22, 1954, which amended the Bankhead-Jones Farm Tenant Act to provide a flexible interest rate on insured loans, (2) the further amendment to this Act by Public Law 273, approved August 9, 1955, providing that mortgages shall run to the Government instead of to the lender, and (3) the enactment of Public Law 597 extending the water facilities program to the entire Nation and authorizing the insuring of loans made by private lenders for soil and water conservation purposes.

Insured loan activity since 1948 and estimated for 1956 and 1957 fiscal years is shown in the following table:

Loans Insured by Fiscal Year

Fiscal: Year	Number of Initial Loans			Total	Amount of Initial and Subsequent Loan		
	Farm	Soil and Water			Farm	Soil and Water	Total
	Ownership	Conservation			Ownership	Conservation	
1948	338	- -		338	\$2,412,837	- -	\$2,412,837
1949	1,149	- -		1,149	7,937,241	- -	7,937,241
1950	2,191	- -		2,191	16,586,860	- -	16,586,860
1951	2,150	- -		2,150	17,596,050	- -	17,596,050
1952	1,097	- -		1,097	10,493,008	- -	10,493,008
1953	1,041	- -		1,041	10,681,721	- -	10,681,721
1954	887	- -		887	9,769,127	- -	9,769,127
1955	2,909	2,830		5,739	31,933,200	\$15,469,379	47,402,579
1956 (est.)	5,050	6,010		11,060	55,000,000	25,000,000	80,000,000
1957 (est.)	5,050	6,010		11,060	55,000,000	25,000,000	80,000,000

There are no employees paid from this fund.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955, were actually received or or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

	Obligations: 1955	Estimated Obligations: 1956	Estimated Obligations: 1957
Farm Tenant-Mortgage Insurance Funds, Department of Agriculture - Revolving fund for payments with respect to insured mortgages under Section 12 and 13 of the Farmers' Home Administration Act of 1946 and Section 10(c) of the Act of August 28, 1937, as amended	\$1,234,678:	\$2,669,930:	\$4,052,000
Allotments from:			
Disaster Loans, etc., Revolving Fund, Department of Agriculture - For making emergency loans to farmers and stockmen and for other purposes in accordance with provisions of Public Law 38, as amended, and Public Law 727, as amended	93,078,208:	70,119,945:	54,120,700
Allocation from International Cooperation Administration - For expenses in connection with training activities	14,161:	17,900:	- -
Trust Funds:			
State Rural Rehabilitation Corporation Funds: a/			
Funds of State Rural Rehabilitation Corporations made available to the Department for rural rehabilitation purposes under trust or other agreements between the Secretary and individual states as follows:			
Administrative expenses	769,357:	720,000:	720,000
Undistributed charges	254,992:	324,000:	372,250
Return of assets to States	494,892:	705,000:	300,000
Loans	14,100,157:	9,802,921:	11,100,000
Total, State Rural Rehabilitation Corporation Funds	15,619,398:	11,551,921:	12,492,250
Obligations Under Reimbursements From Governmental and Other Sources:			
Salaries and expenses	110,949:	130,000:	130,000
TOTAL, OBLIGATIONS (OR ACCRUED EXPENDITURES) UNDER ALLOTMENTS AND OTHER FUNDS	110,057,394:	84,489,696:	70,794,950

a/ These items are on the basis of accrued expenditures.



PASSENGER MOTOR VEHICLES

The estimates for the fiscal year 1957 include the replacement of 10 passenger motor vehicles. The vehicles are used by field personnel primarily in connection with necessary rural travel where common carrier is not readily available or practicable. Such travel is for the purpose of assisting and advising county supervisors in the investigation of applications, making loans, rendering of farm management assistance to borrowers, and collecting and servicing loans under the various loan programs. As indicated, the vehicles are used primarily in connection with rural travel, much of which is over unpaved roads, and repair and maintenance records show that the maximum economic operation is reached at 55,000 to 65,000 miles. Thereafter, breakdowns become more frequent and major overhauls are usually required to keep the vehicles in safe operating condition. It is estimated that the mileage on each of the vehicles proposed for replacement in 1957 will range from 60,000 to 75,000 miles as of December 31, 1955, and will be at least 70,000 on each vehicle before it is replaced. If these vehicles are not replaced, it is expected on the basis of past maintenance cost records, that the average repair cost per vehicle will be \$180 during 1957, or a total of \$1,800. Another factor for consideration is that the sales value of the vehicles will decrease in proportion to increased age and mileage. A substantial economy will be effected if the 10 vehicles are replaced in 1957.

The Farmers Home Administration will operate a total of 40 passenger motor vehicles in 1957. With the exception of one vehicle which is assigned to the Washington Office for transportation of personnel to and from other Government offices and occasional trips to the closer State Offices, the vehicles are located at strategic points throughout the country for use primarily in connection with rural travel.

While custody of the vehicles is under the State Directors, they are not assigned for the use of any one person. The use policy involves (1) planning travel and field schedules so as to obtain the maximum amount of use from these vehicles which can be operated at an approximate total cost of less than 5 cents per mile including depreciation as opposed to use of privately owned automobiles compensated at 7 cents per mile, (2) strict adherence to the preventive maintenance requirements in order to avoid keeping the vehicles in a non-use status for unreasonable periods of time, (3) giving preference to group travel where program functions will permit and (4) the use of common carrier where it is more economical to do so.

Age-Year Model	Age Data	Lifetime Mileage	Mileage Data
	Number of Vehicles		Number of Vehicles
1947	1	0 to 20,000	7
1948	1	20,000 to 40,000	5
1949	3	40,000 to 60,000	14
1950	2	60,000 to 80,000	11
1951	4	80,000 to 100,000	2
1952	8	Over 100,000 miles	1
1953	10		<u>40</u>
1954	5		
1955	6		
	<u>40</u>		



OFFICE OF THE GENERAL COUNSEL

Purpose Statement

The Office of the General Counsel, then known as the Office of the Solicitor, was established in 1910 when the Congress prescribed that "hereafter the legal work of the Department of Agriculture shall be performed under the supervision and direction of the Solicitor" (5 U.S.C. 518). Until April 1, 1935 the Solicitor's Office was a unit of the Office of the Secretary, at which time it was established as a separate agency of the Department. On March 17, 1954 the Secretary changed the title of the Solicitor to General Counsel with a corresponding change in the name of the Office.

The Office of the General Counsel, as the law office of the Department of Agriculture, performs all of the legal work arising from the activities of the Department. The General Counsel represents the Department in administrative proceedings for the promulgation of rules having the force and effect of law; in quasi-judicial hearings held in connection with the administration of various programs and acts; and in proceedings before the Interstate Commerce Commission involving freight rates and practices relating to farm commodities, including appeals from the decisions of the Commission to the courts. He serves as general counsel for the Commodity Credit Corporation and the Federal Crop Insurance Corporation. He furnishes necessary review in connection with criminal cases arising under the programs of the Department for the purposes of referring them to the Department of Justice.

By special assignment of the Attorney General, the Assistant General Counsel for Litigation represents the Department in certain categories of cases before appellate courts, including the Supreme Courts of the States, U. S. Court of appeals and the Supreme Court of the United States. The General Counsel issues both formal and informal opinions on legal questions arising in the administration of the Department's programs; prepares and reviews administrative rules and regulations applicable to the public; assists in the drafting of proposed legislation; prepares, reviews and interprets contracts, mortgages, leases, deeds, and similar documents; prosecutes patent applications for employees of the Department; examines titles to lands to be acquired by the Government or accepted as security for loans; and disposes of claims by and against the United States arising out of the Department's activities.

The legal work of the Office is carried on by 7 divisions in Washington, supervised by the General Counsel, the Deputy General Counsel, 2 Assistant General Counsels, the Assistant General Counsel for Litigation, and the Staff Legal Officer. The work in the field is performed by 14 field offices and 5 branch offices.

On November 30, 1955, the General Counsel's Office had 392 employees, of whom 246 were in Washington and 146 in the field.

	Estimated Available, 1956	Budget Estimate, 1957
Appropriated funds	\$2,291,400	\$2,335,000

1. The first part of the paper is devoted to a general discussion of the problem of the existence of a solution of the system of equations (1) for arbitrary values of the parameters α and β . It is shown that the system has a solution for arbitrary values of the parameters α and β if and only if the condition $\alpha + \beta = 1$ is satisfied. In this case the solution is unique and is given by the formula

REVISION OF PROJECT STRUCTURE

The projects indicated in the 1957 estimates reflect the present organizational structure of the Office of the General Counsel which in turn facilitates accounting support for each activity. Each budget project represents a group of Department programs or agencies for which the related legal work is performed under the supervision of one official in the General Counsel's Office. The changes in the organizational pattern of the Office necessitating the revision of the budgetary projects consisted primarily of the consolidation of the legal work for the Farmers Home Administration and Rural Electrification Administration with the work for the Forest Service and the Soil Conservation Service under the Assistant General Counsel for Agricultural Credit and Conservation, and the establishment of the Office of Staff Legal Services to perform the functions previously handled by the General Legal Services Division. A comparison of the revised structure with that reflected in the 1956 Budget, is as follows:

<u>Projects in the 1956 Budget</u>	<u>Projects in the 1957 Estimates</u>
1. Agricultural Credit	1. Agricultural Credit and Conservation
2. Commodity Credit, Production and Adjustment Programs	2. Commodity Credit, Production and Adjustment Programs
3. Lands, Forestry, Research, and General Legal Services	- -
4. Marketing and Regulatory Laws	3. Marketing and Regulatory Laws
	4. Agricultural Research and Staff Legal Services



Salaries and Expenses

Appropriation, 1956	\$2,100,000
Supplemental appropriation for 1956 (Supplemental Appropriation Act, 1956)	40,000
Advance from "Administrative Expenses, Commodity Credit Corporation"	401,000
Proposed supplemental, 1956, for pay act costs	151,400
Base for 1957	2,692,400
Budget Estimate, 1957:	
Direct appropriation	\$2,335,000
Advance from "Administrative Expenses, Commodity Credit Corporation"	427,700
Increase	2,762,700
	<u>+70,300</u>

SUMMARY OF INCREASES, 1957

For legal services incident to:

Mining claims pursuant to the Act approved July 23, 1955	+43,600
Commodity Credit Corporation programs (by transfer from the Corporation)	+26,700

PROJECT STATEMENT

Project	1955	1956 :(estimated)	Increase	1957 :(estimated)
1. Agricultural credit and conservation	\$1,189,034	\$1,368,000	+\$43,600(1)	\$1,411,600
2. Commodity credit, production and adjustment programs	625,095	688,000	+26,700(2)	714,700
3. Marketing and regulatory laws	341,441	395,000	- -	395,000
4. Agricultural research and staff legal services:	225,764	241,400	- -	241,400
Unobligated balance	9,282	- -	- -	- -
Total pay act costs (P.L. 94)	[48,792]	[177,400]	[+3,300]	[180,700]
Total available	2,390,616	2,692,400	+70,300	2,762,700
Advance from "Administrative expenses, Commodity Credit Corporation"	-306,400	-401,000	-26,700	-427,700
Subtotal	2,084,216	2,291,400	+43,600	2,335,000

(Continued on next page)

Project	1955	1956 :(estimated):
Transferred in the 1956 estimates to "Salaries and Expenses, Office of the Secretary of Agriculture"	+36,784	- -
Transfer from "Watershed Protection, Soil Conservation"	-40,000	- -
Transfer from "Salaries and Expenses, Foreign Agricultural Service" .	-6,000	- -
Proposed supplemental due to pay increases ..	- -	-151,400
Total appropriation or estimate	2,075,000	2,140,000

INCREASES

(1) An increase of \$43,600 under the project "Agricultural credit and conservation" for legal services incident to mining claims pursuant to the Act approved July 23, 1955

Need for Increase: The activity of the Department with respect to mining claims, pursuant to the act of July 23, 1955 (Public Law 167, 84th Congress), will be substantially increased during fiscal year 1957. It is expected that at least twice as many proceedings will be instituted under Section 5 of that Act during fiscal year 1957 as in fiscal year 1956. As the work progresses, the problems will be more varied and complex as proceedings are instituted to cover the areas containing a multiplicity of mining claims. The requirements for legal assistance will increase in proportion to the number and complexity of the proceedings initiated under Section 5, which are for the purpose of determining the Government's right to manage the surface resources on mining claims. The proceedings require careful preparation and involve highly technical questions of law and procedure. Great care must be exercised to comply with the specific requirements and precise standards necessary to protect the rights of both the private parties and the Government and to make such proceedings effective. The services of experienced attorneys will be necessary to handle the workload in 1957 which will be more than double the present program. In addition, it will be necessary to constantly review and approve procedures and regulations of a general nature, not only in connection with proceedings under Section 5, but also in the administration of the materials disposal provisions of the Act.

(2) An increase of \$26,700 for legal services in connection with the programs of the Commodity Credit Corporation.

Need for Increase: Additional funds will be required to furnish adequate legal attention to the matters arising out of the activities of the Commodity Credit Corporation in view of the increased emphasis on the disposal of surplus agricultural commodities through foreign markets and other outlets. Barter transactions and sales for foreign currency, which have been expanded, involve considerably more legal work than cash dollar transactions. Foreign currency transactions under P.L. 480, 83rd Congress, involve three-way contractual negotiations with foreign governments, private exporters and lending agencies with respect to the sale of surplus commodities and the financing arrangements thereof. This is then followed by additional work in the programming and conversion of foreign currency. Increased work in the field of contracts and claims is expected in connection with the management of the large accumulated inventories.

There is increased activity on the part of the Corporation in the management, rotation and handling of its huge price support inventories and in the disposition of commodities in foreign and other available outlets during the fiscal year 1956, and it is contemplated that such activities will be carried out at the same accelerated pace through the fiscal year 1957. At that time the peak of referrals in connection with claims arising out of 1956 activities will reach the Office of the General Counsel resulting in a greater workload in legal services.

CHANGE IN LANGUAGE

The estimates include a proposed change in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses, * * * together with such amounts from other appropriations or authorizations as are provided in the schedules in the budget for the current fiscal year for such expenses, which several amounts not exceeding a total of [\$375,000] \$427,700 shall be transferred to and made a part of this appropriation.

The proposed change in language would increase the amount which may be transferred to this appropriation from "Administrative expenses, Commodity Credit Corporation" to \$427,700 to cover the anticipated increase in the volume of legal services which will be required in the fiscal year 1957. The estimated increased workload is discussed in greater detail in the preceding justification of the estimate.



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STATUS OF PROGRAM

The Office of the General Counsel furnishes all of the legal services required in connection with the programs and activities of the Department. The Secretary and other officials are advised on legal matters which arise in connection with their work. The progress and effectiveness of the functions of the Department require legal competence with a broad appreciation and understanding of the Department and related governmental policies and programs. This Office is responsible for interpreting existing legal authorities affecting actions or proposed actions of the Department's agencies and the application of such interpretations to the programs and operations of the Department. Because the attorneys of this Office are intimately acquainted with the operations of the Department's programs, the statutes under which they operate, and the sources of available information, they are qualified to prepare the many complex cases for litigation and to assist the United States Attorneys in the trial thereof and are, therefore, called upon to perform this essential service. In a number of appellate cases the Assistant General Counsel for Litigation actually presents the oral argument.

Recent activities illustrative of legal work performed during fiscal year 1955 are listed below.

Farmers Home Administration Programs: During the fiscal year 1955, the legal and administrative loan processing and servicing forms and procedures were further simplified. Legal work was performed in the preparation of drafts of proposed legislation and reports and advice thereon, particularly in connection with legislation designed to:

1. Broaden the scope of the Farmers Home Administration loan programs under the Bankhead-Jones Farm Tenant Act, to provide for the use of indemnification mortgages (mortgages which run to the Government instead of the lender) in connection with insured loans.
2. Extend the Farm Housing loan authority.
3. Extend Farm Ownership and Soil and Water Conservation loans to desert land entrymen.
4. Extend the authority for making special emergency and special livestock loans.

New legislative acts necessitated legal work incident to the preparation of new forms and procedures to implement them. Considerable legal work was also involved in connection with the Emergency Hay and Feed program and in the development of new title clearance procedures and forms in connection with extension of Soil and Water Conservation loans throughout the United States and the authority to insure such loans.

In addition, the legal work performed included oral and written advice to

administrative officials, preparation and approval of rules, instructions, forms and Federal Register documents, examination of title to land in connection with real estate loans, preparation of deeds, security instruments and closing instructions in individual real estate loan cases, preparation of assignments, releases, satisfactions, subordination agreements and other documents in connection with loan servicing and filing claims, preparation of cases for litigation and other legal assistance in collecting loans.

Rural Utilities Programs: The legal services performed in connection with the rural electrification and rural telephone programs were diverse and complex involving numerous unique problems. No backlogs in the preparation and processing of REA loan contracts and security documents have been permitted to accumulate. It has been necessary, however, to handle REA legal work on a priority basis in the following order: (1) Preparation and processing of loan and security documents and related matters which affect the REA "production line"; (2) legal opinions required by the REA Administrator and his staff; (3) litigation in which REA is a party or is especially interested; and (4) legal work incident to essential loan servicing. Thereafter, the remaining time of available personnel was allocated to other legal work such as assistance in litigation affecting REA borrowers, advice to borrowers and to the REA staff in respect of corporate and regulatory commission proceedings, etc. The legal services rendered involved such matters as the following:

1. As the rural electrification program reaches greater maturity, novel problems and complexities in connection with the loans increase in number rather than decrease. Prior loan and security documents and debt limits must be reviewed and brought current, and the Government's security position maintained. The increase in proposals involving extensions into thinner and pocketed areas present new problems and involve the preparation or review of contracts, deeds and bills of sale, corporate minutes, franchises, orders of regulating bodies, easements, operating agreements, leases, power contracts, ordinances, and municipal proceedings. A number of acquisitions involve the purchase of outstanding capital stock of an existing corporation and the subsequent transfer of assets, on liquidation of the acquired corporation, to the REA borrower. An additional legal workload is occasioned by the number of inter-borrower transactions involving the transfer of electric properties between REA borrowers. Problems involving borrowers which represent potential security problems and proposals relating to Section 12 deferments also have increased the legal work of the Office. An additional factor contributing to the increased activity in respect of legal services in connection with the rural electrification loan program is the increase in proposals involving joint financing and pooling, integration, and joint-use arrangements by REA borrowers and other power suppliers - requiring an analysis of complex operational, engineering, accounting, and financing factors, and the preparation of complicated loan and security documents together with operational, construction, and power agreements.

2. The accelerated pace of the rural telephone program has been

met through the development of revised documents and simplification of procedures. A substantial percentage of telephone loans are predicated upon the acquisition by borrowers of existing telephone systems, as a means of effectuating the objectives of the Act (a single loan involving, in some instances, as many as twenty such acquisitions of varying size and complexity). A substantial amount of work of the Office, therefore, is devoted to the preparation or review of option and sale agreements, instruments of conveyance, evidences of title, corporate proceedings, escrow agreements, municipal franchises, commission orders, and a host of other miscellaneous documents and instruments normally involved in each sale of telephone properties. Of particular frequency and importance were questions relating to the permissible use of loan funds for financing nonrural telephone facilities, acquisitions of existing systems, and repayment by borrowers of outstanding indebtedness, and those relating to restrictions against duplication of facilities. Increased RTA emphasis on the construction phase of the telephone program has increased the legal workload in connection with problems relating to advances of funds in accordance with the conditions and requirements specified in the loan documents, the drafting or review of complex construction contracts, service agreements, toll, operator assistance and extended scope agreements, switching service agreements, and joint-use agreements, and advice and assistance in obtaining required orders and approvals of State and Federal regulatory agencies, including certificates of convenience and necessity, and approvals relating to the issuance of loan and security instruments, contemplated equity financing, acquisitions of existing systems, rate schedules, and voluntary or compulsory interconnections with other telephone companies.

Forestry and Lands Programs: Legal assistance was rendered in connection with the forestry and lands programs of the Department in various fields and types of work including:

1. The review for legal sufficiency of claims made under the general mining laws, which are applicable to the approximately 150 million acres of national forest lands withdrawn from the public domain. Advice to the Forest Service relative to the contesting of claims believed to be fraudulent or invalid. Assistance in contesting such claims in quasi-judicial proceedings before the Department of the Interior for their cancellation, including the preparation of pleadings, introduction of evidence, interrogation of witnesses, submission of legal arguments, and the preparation and submission of briefs in all cases appealed to the Director of the Bureau of Land Management and the Secretary of the Interior. The determination of the character and scope of the surface rights which are appurtenant to privately owned minerals in acquired national forest lands, and assistance in the preparation and prosecution of civil actions arising out of improper or unlawful mining operations on such lands. An example of such litigation is United States v. Polino, Civil No. 250-E in the United States District Court for the Northern

District of West Virginia.

2. The review of fire, timber, grazing and occupancy trespasses and rendering of assistance to the Department of Justice in the prosecution of civil and criminal actions resulting therefrom. Examples of such litigation are the cases of Norman Lumber Co. v. United States (C.A. 4th, June 13, 1955), a timber trespass in which the effect of the condemnation proceeding by which the land was acquired was a major issue, and United States v. Perko, et al., in the United States District Court for the District of Minnesota, to enjoin allegedly unlawful uses of a road in the Superior National Forest Roadless Area.
3. The preparation and review of quitclaim deeds and other legal assistance in connection with the conveyance to the States and State agencies of certain lands administered under Title III of the Bankhead-Jones Farm Tenant Act which lands previously had been made available to the States and State agencies under long-term leases.
4. Assistance in the drafting or review of proposed legislation pertaining to forestry and lands programs and of reports thereon to Congress by this Department. Examples of such legislation are the Act to amend the Materials Disposal Act of July 31, 1947 (61 Stat. 681) and the general mining laws to provide for multiple-use of the surface of public lands (P.L. 167, 84th Cong.), the bill (H.R. 7718) which would revise and clarify the basic law governing the sale of national forest products and accomplish other purposes, a bill to amend and enact into law Title 43 of the United States Code, entitled Public Lands, and proposals relative to the obtaining and use of national forest revenue, and to the disposal of lands held under Title III of the Bankhead-Jones Farm Tenant Act.
5. Review of drafts of Departmental publications relating to the law of water rights in western States; assistance in the drafting and review of revisions of the Secretary's regulations pertaining to the national forests and the instructions carried in the Forest Service Manual; and adjustment of land claims relating to acquired lands.
6. Formal and informal legal opinions and memoranda and day-to-day oral legal advice, including advice on questions of the establishment of sustained yield units under the act of March 29, 1944 (58 Stat. 132) and the denial of permission to strip mine national forest lands.
7. Legal assistance in the preparation of the final draft of a revised timber sale contract form for use in the sale of timber from all national forests; and assistance in the preparation of national forest timber sale offerings, particularly those which cover large amounts and extend over long periods of time, such as those in Alaska covering several billion board feet

each and extending over 50-year periods.

8. Review and analysis, including the compilation of a legislative history, of the Watershed Protection and Flood Prevention Act (P.L. 566, 83d Cong.) for the purpose of determining the manner in which States and local organizations can cooperate with the Secretary of Agriculture under the Act, and conferences with State officials in many States on proposals for State legislation necessary to enable the States and local organizations to cooperate under the Act. Assistance in the preparation of a handbook relative to carrying out the program authorized by the Act.

9. Work on a comprehensive study of the laws and relevant court decisions of the 48 States pertaining to the creation and operation of soil and water conservation districts, flood prevention and control districts, drainage districts, irrigation districts, and other types of local public agencies in order to ascertain the extent to which they are authorized under State laws to cooperate with the Secretary of Agriculture in carrying out the program authorized by Public Law 566, 83d Congress.

Commodity Credit, Section 32 and School Lunch Programs: Legal services in connection with the activities of Commodity Credit Corporation have continued to be required at a steadily increasing rate. More legal services were required during fiscal year 1955 than during 1954 because of an increased emphasis on new programs to dispose of Commodity Credit Corporation record inventories of price-support commodities and because of a heavier claims and litigation workload in 1955 than in 1954. The following are examples of the types of Commodity Credit Corporation activities and the legal services rendered in connection therewith:

1. In connection with programs involving price support, re-seal and purchase agreements, there were prepared or reviewed many types of legal instruments, such as chattel mortgages, notes, purchase and loan agreements, bulletins, announcements, instructions, regulations and warehouse agreements. Legal advice was also given with respect to the preparation of contracts between the Corporation and dealers, processors, warehousemen and private lending agencies, and the Federal Reserve Banks, since such agencies are utilized by Commodity Credit Corporation in carrying out its price support operations.

2. In connection with the disposal programs, this Office assisted in the preparation of agreements and regulations or furnished legal advice and assistance during fiscal year 1955 with respect to 21 agreements signed for the sale for foreign currency of surplus agricultural commodities of a value of approximately \$468,800,000, and 106 contracts negotiated for the exchange of agricultural commodities, of an export market value of more than \$281,000,000, for commodities produced abroad.

3. This Office also participated in the Department's presentations

at public hearings conducted by the Tariff Commission in connection with its investigations under Section 22 of the Agricultural Adjustment Act of 1933, as amended, with respect to the imposition of restrictions on the importation of certain agricultural commodities, assisted in the formulation of basic import regulations, reviewed forms to be used, and consulted with officials of other Departments in connection with such activities. Legal advice was given on questions arising out of foreign trade agreements, customs laws affecting agricultural imports, and in the preparation of legislation affecting international trade and reports thereon.

4. This Office handled legal problems arising in connection with the purchase and donation, export and diversion programs, under authority of Section 32 of the Act of August 24, 1935, including the preparation or legal approval of regulations and procedures, contracts, donation agreements and other legal instruments, and the dockets authorizing or amending the programs.

5. Legal assistance was also given in connection with programs for the purchase and distribution of fruits and vegetables and peanut butter, under section 6 of the National School Lunch Act. The dockets authorizing the programs were reviewed and contracts, procedures and regulations were drafted or approved for legality.

6. Drought Emergency Feed Programs: During the fiscal year 1955 a large number of reports of investigation and administrative files have been reviewed by this Office relating to various violations by feed dealers of the 1953 and 1954 Drought Emergency Feed Programs. These violations have included, among others, the delivery of ineligible grain and unapproved feed mixes to producers, the delivery of feed to ineligible persons, and the presentation of dealer certificates indicating deliveries of feed which, in fact, were never made. Legal advice has been given to administrative officials with respect to the further handling of a number of such cases. Eight cases were referred to the Department of Justice during fiscal year 1955 and many others undoubtedly will be referred as the investigations are completed and the evidence obtained.

7. Greatly increased price support activities and the acquisition by Commodity Credit Corporation of unprecedented inventories of agricultural commodities during recent years have resulted in corresponding increases in claims and litigation work for this Office.

This Office rendered legal services to administrative officials in analyzing the factual and legal issues involved in claims by and against the Corporation, preparation of memorandum opinions, advice to the Contract Disputes Board, conferences with administrative officials, negotiations with opposing counsel, and preparation of settlement agreements and other legal documents. When claims cannot be settled by administrative procedures, they

are referred by this Office to the Department of Justice for litigation. Referral of a case requires the obtaining of all needed evidence and documentation, the preparation of a letter analyzing the facts and legal issues involved, and the preparation of a form of suggested complaint, and sometimes other pleadings, for consideration by the Department of Justice.

There has been an increase during fiscal year 1955 in new claims and litigation cases. There were 423 new cases referred by this Office to the Department of Justice as compared with 383 cases referred the previous fiscal year. In 1955, 480 cases in the Department of Justice were closed, reducing the number of cases pending in court or in the Department of Justice at the end of the fiscal year 1955 to 1221, as compared with 1255 such cases pending at the end of the fiscal year 1954. The amount of money involved in such cases was reduced from \$24,000,000 at the end of 1954 to \$20,000,000 at the end of 1955.

The number of cases arising under Section 32 and School Lunch Programs was reduced from 19, involving about \$1,800,000, at the end of the fiscal year 1954 to 14, involving about \$1,600,000, at the end of the fiscal year 1955.

Because of the intricacies of price support activities and the complexity of Commodity Credit Corporation cases, United States Attorneys, who are also confronted with large backlogs of other cases, have continued to call upon the attorneys of this Office for active assistance in handling Commodity Credit Corporation litigation.

8. Examples of Recent Litigation and Claims Work Illustrative of the varied legal issues present in the litigation described above are the following:

a. Flaxseed Grading Cases: Commodity Credit Corporation's method of settling with country warehousemen on deliveries of flaxseed under the Uniform Grain Storage Agreement has been challenged by 189 plaintiffs in four separate suits filed in the Federal District Courts for Minnesota, North Dakota and South Dakota. Plaintiffs contend that the settlements should have been based on grades determined from samples obtained by probe from railroad cars on track, rather than samples taken by cutting the running stream of grain when the cars were unloaded at destination, which are commonly referred to as "belt run" samples. The importance of these cases to Commodity Credit Corporation and to the Federal grain inspection system is much greater than the amount of money involved (\$185,000 in the four cases) in view of the effect of the decision as a precedent on deliveries of flaxseed not involved in the suits and the integrity of the grain inspection system under the United States Grain Standards Act. Commodity Credit Corporation's purpose in taking belt run samples at terminal elevators where the cars are unloaded, is to obtain truly representative samples of the flaxseed and thus protect the Government against the dishonest practice of

"plugging" cars by placing flaxseed containing a high percentage of foreign material on the bottoms and sides of cars beyond the reach of probes. The work done on these cases required considerable time of attorneys in this Office in obtaining evidence and reviewing and analyzing the factual and legal issues involved. This Office assisted in determining the defenses to be asserted by the Government, drafted interrogatories, pleadings, and a motion for summary judgment and prepared a brief in support of such motion.

b. Grain Conversion Cases: A great portion of the time of this Office given to Commodity Credit litigation was devoted to the numerous cases involving shortages and deterioration in warehouse-stored grain and other fungible commodities which have arisen during the past 5 years. Steady progress has been made in handling these cases and, in many, full disposition has been made. During fiscal year 1955 the Department of Justice took legal action in 25 warehouse cases, 59 cases were closed and collections totalling more than \$1,800,000 were made. Twenty-one new cases developed during the fiscal year 1955 and there are 102 warehouse cases involving upwards of \$10,000,000 now pending.

In connection with the cases involving shortages the Department of Justice has pursued claims against some 500 persons and concerns who purchased such commodities from warehousemen-converters from whom the Government's losses cannot be recovered because of the warehouseman's insolvency. While recently enacted legislation, P.L. 43, 84th Congress, frees from such claims those purchasers who bought innocently and in good faith, application of the statute necessitates review and analysis of the circumstances with respect to each transaction involving a third-party purchaser before a claim or pending suit against such purchaser can be closed. This Office is now undertaking examination of the evidence in all such cases at the request of the Department of Justice. The review thus far indicates that there is evidence in several cases which may require trial to adjudicate the issue of the purchaser's good faith.

United States v. McDonald Grain and Seed Company, involving the conversion of Commodity Credit Corporation grains and a resulting claim for \$178,000.00 developed during fiscal year 1955. This is an example of one of the more complex conversion cases and has given rise successively to a state trusteeship, a Federal court suit and receivership initiated by the Government, and a voluntary proceeding in bankruptcy. With the exception of the receivership, all of these proceedings are still pending. The simultaneous State and Federal court proceedings and the conflicting interests among the various claimants have led to unprecedented and complex jurisdictional issues. These circumstances and the complex factual issues in the case have required, and will continue to require, substantial time of attorneys of this Office.

c. Grain Storage Structure Claims: Evidence has been discovered of serious and widespread defects in several thousand grain storage structures purchased by Commodity Credit Corporation and erected in the principal grain producing states. For example, in the case of one manufacturer who in 1954 sold to the Corporation almost 9,000 grain bins, it appears that there are major defects in certain parts which, together with erection defects, will cost more than a million dollars to correct. If the claims of Commodity Credit Corporation with respect to these 9,000 bins cannot be settled administratively it will be necessary to bring suits against the manufacturer, several erection contractors, and their sureties. This Office has worked closely with administrative officials both in Washington and the field to protect the Government's interest in this matter. This has required a careful study of reports of investigation, engineering reports, and other evidence, and numerous conferences with administrative officials, investigators, and engineers and with the manufacturer and erection contractors and their counsel.

Production and Adjustment Programs: During fiscal year 1955 legal services rendered in connection with farm marketing quota and acreage allotment programs, the sugar quota and payment program, the agricultural conservation program, including the Naval Stores conservation program, and the crop insurance program administered by the Federal Crop Insurance Corporation, involved, among others, matters concerning:

1. Farm marketing quota and acreage allotments in effect with respect to the 1955 crops of cotton, wheat, peanuts, rice, and six kinds of tobacco, and acreage allotments for price support purposes in effect with respect to the 1955 crop of corn. Approximately 14,000 farmers applied for a review of their marketing quotas including acreage allotments before local farmer review committees appointed by the Secretary of Agriculture. This Office assisted in the conduct of many of these proceedings and examined a large volume of review committee determinations for legal sufficiency. A considerable number of cases were instituted by farmers for court review of determinations by review committees. This Office arranged for the defense of the review committees by United States Attorneys, prepared the necessary pleadings, and furnished the United States Attorneys the records of the cases before the review committees for filing in court. This Office also prepared and transmitted to the Department of Justice for filing a large volume of suits for marketing penalties.

2. Drafting of regulations in connection with the cotton, wheat, peanut, tobacco and rice marketing quota programs and the acreage allotment program for corn in connection with price supports.

3. The collection of delinquent crop insurance premiums and the drafting of regulations and contracts and the handling of claims for indemnities under the crop insurance program.

4. Drafting many proposed amendments to the Agricultural Adjustment Act of 1938, as amended, Federal Crop Insurance Act, as amended, and the Soil Conservation and Domestic Allotment Act, as amended.

5. Examples of recent litigation in which this Office participated:

- a. United States v. Shafer, et al. A suit in the United States District Court for the District of Maryland to enjoin defendants from interfering with the measurement of the wheat acreage on their farms. An injunction was granted by the Court and has been appealed to the Court of Appeals for the Fourth Circuit.
- b. Appellate litigation in connection with production and adjustment programs: The issues in Bowers v. United States, in the United States Court of Appeals for the Fifth Circuit, relate to civil penalties under the Agricultural Adjustment Act of 1938 for failure to account, within the time allowed, for the disposition of a commodity subject to marketing quotas under the Act. The case involves numerous issues, such as whether the statutory language creates an irrebuttable presumption of law or merely a rebuttable presumption of fact. This case was briefed and argued by this Office. The Court has not as yet filed its opinion.
- c. Important issues with respect to the jurisdiction of courts to remand proceedings to review committees for the purpose of reopening hearings as to acreage allotments under the Agricultural Adjustment Act of 1938 are involved in Byrd, et al. v. Sorrells, in the Supreme Court of Alabama. This Office drafted the brief and submitted the oral argument in the Supreme Court of Alabama.

Marketing and Regulatory Laws: The legal work performed during the fiscal year 1955 in connection with the programs in this field administered by the Department continued at a relatively high level as compared with previous years due largely to the increasing numbers of active marketing agreements and orders, as indicated by the following examples:

1. During the fiscal year 1955, 48 formal hearings were held in connection with new milk orders or amendments to existing orders, 9 such hearings were held in the fruit and vegetable field, and 1 in connection with the Anti-Hog-Cholera Serum and Virus Order, making a total of 58 hearings during the year. Eight new milk orders and 3 new fruit and vegetable orders were made effective, resulting in 90 programs (58 milk and 32 in the fruit, vegetable, etc. field) at the close of the fiscal year, a new high in the number of programs being serviced. Forty-three amendments to existing orders were promulgated during the year.

In addition to the new order promulgation proceedings there are now pending a number of important administrative and judicial review and enforcement proceedings relating to milk orders which require comprehensive factual and legal analysis and preparation because of the importance of the issues involved. The number of review proceedings under Section 8c (15) of the act has continued at a relatively high level due largely to the increasing number of outstanding milk orders.

The trend which became apparent during the fiscal year 1952 of requests for new milk marketing orders in the areas more distant from Washington has continued through the fiscal year 1955, resulting in a substantial increase in the time and travel requirements of attorneys in servicing the new and existing programs for such more distant areas.

2. The legal work in connection with the Animal Quarantine laws substantially increased during fiscal year 1955. Sixty-two criminal cases were forwarded to the Department of Justice during the year, as compared with ten referrals during the 1954 fiscal year and five referrals during the 1953 fiscal year. The increased volume of cases is expected to continue because the control and eradication, and enforcement programs have been strengthened and expanded, and an additional regulatory program relating to brucellosis is being developed. A considerable amount of work was also performed in connection with legislative proposals relating to these activities.

3. The volume of work with reference to the Commodity Exchange Act and the Packers and Stockyards Act, 1921, was approximately the same as in fiscal year 1954. It is anticipated that the work under both acts will increase as a result of the addition of wool and onions to the commodities regulated under the Commodity Exchange Act, the posting of additional stockyards under the Packers and Stockyards Act, 1921, and the fact that certain important new regulations under the latter act will become effective on September 1, 1956.

4. Under the Perishable Agricultural Commodities Act, 244 cases were instituted during the fiscal year 1955 as compared with 255 in 1954, 250 in 1953, 224 in 1952, and 170 in 1951. During the year 235 cases were disposed of, as compared with 282 cases in fiscal year 1954. There were 151 cases pending at the end of the fiscal year.

The number of disciplinary cases filed in fiscal year 1955 was double the number filed in fiscal year 1954. Several of these cases required an unusual amount of work. A considerable amount of work was also done on proposed amendments to the Act.

5. The increase in voluntary and mandatory use of official standards in commerce continued to result in the promulgation of standards for additional new commodities and more frequent amendments to existing standards with an increase in the legal work required. At the end of the fiscal year 1955 over 350 of such official standards were effective. During each fiscal year additional new official standards are issued and standards are revised or amended. At the close of the fiscal year a number of rule-making proceedings relating to the issuance or amendment of such standards were pending. The increase in the importance of the inspection service in the conduct of business and in price determination has resulted in greater importance being attached to administrative proceedings in matters of denial of inspection service.

6. Appellate litigation in connection with marketing and regulatory programs: The issues in Grant, et al. v. Benson, et al., in the

United States Court of Appeals for the District of Columbia, relate to the validity of certain provisions in the New York milk order. The escrow fund in the case is approximately \$3,000,000, and the questions are fully set forth in a record of approximately 50,000 pages. This Office briefed and argued the case.

In Colorado v. United States, in the United States Court of Appeals for the Tenth Circuit, it was held that a brand inspection service by the State of Colorado is subject to the requirements of the Packers and Stockyards Act. This issue had been a matter of controversy for several years, and its resolution in the Department's favor involved delicate questions of statutory interpretation and constitutional application. This Office briefed and argued the case.

In United Milk Producers of New Jersey v. Benson, in the United States Court of Appeals for the District of Columbia, the issue related to the New York milk marketing order. The Court held that dairy farmers whose milk is not priced under the milk order have no standing to challenge the provisions in the order even though the regulation provision places them at a competitive disadvantage. The case was briefed and argued by this Office.

Staff Legal Services: Furnishing legal advice and assistance in connection with general departmental administration, and the activities of the Agricultural Research Service and Farmer Cooperative Service and furnishing special assistance to the General Counsel, including recent activities as follows:

1. The enactment of Title VI of the Act of August 28, 1954 (Public Law 690), relating to agricultural attaches required considerable legal attention in connection with the transfer of functions and personnel and in the arrangements for staffing and servicing the new program.
2. In connection with the Group Life Insurance Act (Public Law 598, 83d Congress) and the extension of the unemployment compensation laws to Federal employees (Public Law 767, 83d Congress) numerous legal problems were considered.
3. The Act of September 1, 1954 (Public Law 763), the so-called Fringe Benefits Act, raised many problems requiring the attention of this Office in the fiscal and budget field, as well as in the personnel field.
4. Revision of the Virgin Islands Organic Act by Public Law 517, 83d Congress, required a survey of all the laws of the Department to determine their applicability to those Islands.
5. Regulations were revised and Department officials were advised following the enactment of Public Law 497, 83d Congress, facilitating collection of erroneous payments, Public Law 591, 83d Congress, providing for withholding for unpaid income tax and Public Law 769,

83d Congress, denying annuities to certain persons guilty of certain crimes.

6. Extensive consideration by this Office was required of the Department's contractual activities following the issuance of Executive Order 10557, requiring insertion of the revised non-discrimination clause, and in the consideration of contract problems arising under the Agricultural Trade Development and Assistance Act of 1954 and the Watershed Protection and Flood Prevention Act as well as in the interpretation of Public Law 545, 83d Congress, authorizing research contracts by the Department.

7. Increased attention was given to the problems of this Department in the field of civil defense.

8. This Office assisted in the revision of the laws relating to grants for Experiment Station purposes and the bill to accomplish this purpose has just been enacted into law.

9. Following the major internal reorganization of the Department under the authority of Reorganization Plan No. 2 of 1953, considerable advice was given on the interpretation of the various issuances and in adding to and revising the various delegations and grants of authority.

10. This Office acts as Legal Security Officer and as the Department's representative in the hearings under the Personnel Security Program. All outstanding cases under the Loyalty Program were reconsidered under the Security Program and disposed of by the Department.

11. Representatives of this Office advised with Department officials in the consideration of many of the recommendations submitted by the various Hoover Commission reports.

12. For Farmer Cooperative Service, considerable time has been devoted to a publication of the Service entitled "Legal Phases of Cooperative Associations". This Office also continued to prepare a periodic summary of decisions affecting cooperatives for distribution by the Service, to review its publications and correspondence for legal sufficiency, to prepare letters on legal phases of organizational and operational (including income tax) problems of farmer cooperatives, and to participate in local and regional educational meetings held to discuss the income tax and related problems of such cooperatives.

13. This Office assisted administrative officials in the application of Sec. 1311 of the Supplemental Appropriation Act, 1955 (Public Law 663, 83d Congress) relating to obligation of funds.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955 were actually received or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	Obligations 1955	Estimated obligations 1956	Estimated obligations 1957
Allotment from:			
Disaster Loans, Etc., Revolving			
Fund, Department of Agriculture -			
For legal services in connection			
with disaster loans, fur loans,			
and the liquidation of the			
Regional Agricultural Credit			
Corporation assets	\$22,825	\$25,000	\$25,000
Obligations Under Reimbursement			
From Governmental and Other Sources:			
Salaries and Expenses:			
Sale of personal property	1,196	1,100	1,100
Refund of terminal leave	57	100	100
Total	1,253	1,200	1,200
TOTAL, OBLIGATIONS UNDER ALLOTMENTS			
AND OTHER FUNDS	24,078	26,200	26,200

OFFICE OF THE SECRETARY

Purpose Statement

The Department of Agriculture was established as an executive department by the Act of May 15, 1862. The Secretary of Agriculture, assisted by the Under Secretary, the Assistant Secretaries, and members of their immediate staff, directs the work of the Department, formulates and develops policy, integrates the several programs of the Department, maintains departmental relationships with agricultural organizations and others in the development of farm programs, renders administrative decisions in regulatory proceedings pertinent to Department programs, and maintains close liaison with the Office of the President and with members of Congress on all matters pertaining to legislation and policy in order to insure effective performance of the agricultural programs.

The following specific departmental functions are also included in the Office of the Secretary:

Personnel administration and service is carried out by the Office of Personnel which serves as a staff agency of the Secretary having responsibility for the personnel management program of the Department. This includes position classification, job evaluation, salary and wage administration, recruitment, examination, placement, retirement, separation, leave, awards program, performance ratings, employee relations, training, personnel security, safety, organization, investigation and health. The Office has responsibility for the development of personnel policy for the Department, and for executing and interpreting the intent and policies expressed in over 200 laws, various executive orders, and the rules, regulations, policies and decisions of the several agencies of the Government in the field of personnel management. In carrying out these responsibilities, the Office delegates substantial authority to agencies within the Department for the operational phases of the appointment, classification and disciplinary activities. Policy and basic procedures developed by the Office are carried out through agency personnel offices. In addition to the continuous day to day contacts on specific problems, the Office conducts a systematic and periodic review to insure unification of the personnel management program and to measure its effectiveness and how well it serves the agencies' personnel management requirements.

Budgetary and financial administration and service is carried on by the Office of Budget and Finance which serves as a staff agency of the Secretary in carrying out departmental functions relating to over-all administration of the budgetary, procurement, and fiscal affairs of the Department. It has responsibility for providing leadership and coordination of these activities throughout the Department, including the acquisition and distribution of funds; accounting; internal auditing and program appraisal; budgetary and financial reporting; organization and management phases of budget, fiscal, and procurement activities; purchasing, warehousing, utilization and disposal of administrative and operating supplies and equipment; and related activities. It coordinates, in the field, the activities of

Area Agricultural Equipment Committees to insure maximum effective utilization of administrative supplies and equipment owned and procured by the Department.

The Office also has responsibility for formulating and promulgating departmental policies and procedures relating to the above functions, including the review and evaluation of program and legislative proposals for budgetary, financial, and related implications, and, in cooperation with staff and program agencies, for obtaining improvements in the management and operation of work programs administered by the Department. The Office acts as Department liaison on all such matters with the Bureau of the Budget, General Services Administration, General Accounting Office, Treasury Department, and others. It also provides liaison with Congressional Committees on Appropriations.

General operations are carried on by the Office of Plant and Operations which serves as a staff agency of the Secretary exercising general direction of the housing of the Department's activities, including technical services incident to the design and approval of construction projects related thereto, contractual authority as it pertains to the leasing of commercial space and matters concerned with acquisition, utilization, inventory and disposition of real property. the Office is responsible for administration of the records management program for the Department, including the coordination of records management activities of all agencies of the Department. It serves as Department liaison with other Government agencies on matters pertaining to its functions. The Office performs administrative service functions for the Office of the Secretary and also operates certain Departmental services in the District of Columbia, including telephone, telegraph, reproduction, duplicating, addressing and mailing, central storage and distribution of supplies and forms, motor transport service and the Departmental post office.

Regulatory hearings and decisions include the work of the Office of Hearing Examiners and of the Judicial Officer. The Hearing Examiners carry out the provisions of the Administrative Procedure Act relating to the holding of hearings (5 U.S.C. 1006,1010). Hearings are held in connection with prescribing of new regulations and orders, and on disciplinary complaints filed by the Department, or on petitions filed by private parties asking relief from some action of the Department. In general, the examiners make reports, recommend decisions, and perform such related duties as are required by the Administrative Procedure Act, and statutory provisions, regulations, and rules of practice applicable to their work.

The Judicial Officer renders final administrative decisions in regulatory proceedings, and is responsible for preparing "Agriculture Decisions", a monthly publication containing decisions in connection with all quasi-judicial functions and administrative hearings of the Department.

The Hearing Clerk Unit, which operates under the Judicial Officer, has the responsibility for receiving, filing and acknowledging the receipt of complaints, petitions, answers, briefs, arguments, and

other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department. The Unit issues notices of hearings, serves upon parties concerned any documents required in connection with such proceedings, arranges for suitable places for hearings to be held and for appropriate stenographic reporting, and maintains a docket record of all documents and proceedings.

The National Agricultural Advisory Commission was established pursuant to Executive Order 10472, approved July 20, 1953. It reviews national agricultural policies and the administration of farm programs, and makes recommendations to the Secretary of Agriculture for the betterment of such policies and programs.

On November 30, 1955, employment in the staff offices comprising the Office of the Secretary under this appropriation consisted of 342 employees, 333 of whom were in Washington and 9 in the field. In addition, there were 167 employees under the Working Capital Fund under which certain central services are performed for other agencies on a reimbursable basis.

	<u>Estimated Available, 1956</u>	<u>Budget Estimate, 1957</u>
Appropriated funds	\$2,377,160	\$2,397,000



TRANSFERS IN 1957 ESTIMATES

Secretary's Memorandum No. 1381, dated June 1, 1955, transferred certain functions relating to the conduct of personnel investigations from the agencies of the Department to the Office of the Secretary, effective July 1, 1955. The responsibility for investigating misconduct, acts of impropriety, or other alleged wrongdoings on the part of employees of the Department was centralized in the departmental Office of Personnel. Personnel, property, records and funds relating to these functions were transferred during the current fiscal year to the Office of Personnel.

The 1957 Budget Estimates includes a transfer in the estimates of \$93,945 to "Salaries and Expenses, Office of the Secretary" for this work with corresponding reductions in the following appropriations:

Salaries and expenses, Agricultural Research Service:

Research	\$12,375
Plant and animal disease and pest control	5,780
Meat inspection	4,690
Total	<u>22,845</u>

Salaries and expenses, Forest Service:

National forest protection and management	7,250
Control of forest pests (white pine blister rust) ...	1,000
Forest research	1,700
Total	<u>9,950</u>

Forest roads and trails, Forest Service	2,165
Conservation operations, Soil Conservation Service	7,255
Watershed protection, Soil Conservation Service	5,935

Marketing research and service, Agricultural

Marketing Service:

Marketing research and agricultural estimates	6,370
Marketing services	15,490
Total	<u>21,860</u>

School lunch program, Agricultural Marketing Service ..	985
Removal of surplus agricultural commodities	2,000
Salaries and expenses, Foreign Agricultural Service ...	2,000
Operating and administrative expenses, Federal Crop Insurance Corporation	4,215
Salaries and expenses, Rural Electrification Administration	4,215
Salaries and expenses, Farmers' Home Administration ...	<u>10,520</u>

Total	<u>93,945</u>
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(a) Salaries and Expenses

Appropriation Act, 1956	\$2,144,300
Proposed supplemental, 1956, for Pay Act costs	138,700
Advanced from "Administrative Expenses, Commodity Credit Corporation"	113,345
Activities transferred in 1957 estimates from other appropriations for the conduct of personnel investigations	94,160
Base for 1957	<u>2,490,505</u>
Budget Estimate, 1957:	
Direct appropriation	\$2,397,000
Advance from "Administrative Expenses, Commodity Credit Corporation"	<u>113,500</u>
Total available, 1957	<u>2,510,500</u>
Increase (for coordination and administration of the Rural Development Program)	<u>+19,995</u>

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase or Decrease	1957 (estimated)
1. General administration	\$479,928:	\$516,098:	+\$19,995(1):	\$536,093
2. Personnel administration and service ..	576,642:	633,014:	- -	633,014
3. Budgetary and financial administration and service	680,841:	730,998:	- -	730,998
4. General operations ..	434,628:	455,975:	- -	455,975
5. Regulatory hearings and decisions	136,065:	142,920:	- -	142,920
6. National Agricultural Advisory Commission	9,687:	11,500:	- -	11,500
Unobligated balance	6,279:	- -:	- -	- -
Total pay act costs (P.L. 94)	[43,948]:	[150,745]:	[+1,000]:	[151,745]
Total available or estimate	<u>2,324,070:</u>	<u>2,490,505:</u>	<u>+19,995</u>	<u>2,510,500</u>
Advanced from "Administrative expenses, Commodity Credit Corporation"	-108,160:	-113,345:	-155	-113,500
Transferred from "Agricultural Adjustment Programs, Commodity Stabilization Service for Pay Act Costs (69 Stat. 240)	-14,520:	- -:	- -	- -
Subtotal	<u>2,201,390:</u>	<u>2,377,160:</u>	<u>+19,840</u>	<u>2,397,000</u>

(Continued on next page)

Project	1955	1956 (estimated)
Transferred in the 1956:		
estimates from "Sal-		
aries and expenses,		
Office of General		
Counsel"	-36,784:	- -:
Transferred in the 1957:		
estimates from other		
appropriations	-84,606:	-94,160:
Proposed supplemental		
due to pay increases..	- -:	-138,700:
Total appropriation or		
estimate	2,080,000:	2,144,300:

INCREASE

(1) General Administration - An increase of \$19,995 to provide for coordination and administration of the Rural Development Program.

Need for Increase: Responsibility for coordinating the overall administration of the Rural Development Program designed to aid farm people in areas of low income rests with the Secretary of Agriculture. The program as outlined for the coming year will be carried out by agencies of the Department which will have the responsibility for developing county programs in the States affected, extending special credit to low-income families evaluating market opportunities, furnishing basic data regarding soil resources, providing improved forest management, undertaking research to aid low-income farm families to improve their level of living, and meeting the general needs of low-income families.

A report regarding the progress of activities directed at alleviating the problems of low-income farmers will be prepared each year for transmittal to the President. By thus focusing attention on this program and fixing responsibility for its administration, it is believed that substantial progress can be made toward alleviating the most pressing problems of farm families with limited economic opportunities.

The proposed increase would provide for the salary of an assistant to the Secretary who, in addition to coordinating the administration of the program, would serve as liaison between the Department and the Department of Health, Education and Welfare, the Department of Labor, and other Departments of the Executive Branch. The increase would also provide for necessary secretarial assistance and miscellaneous expenses.

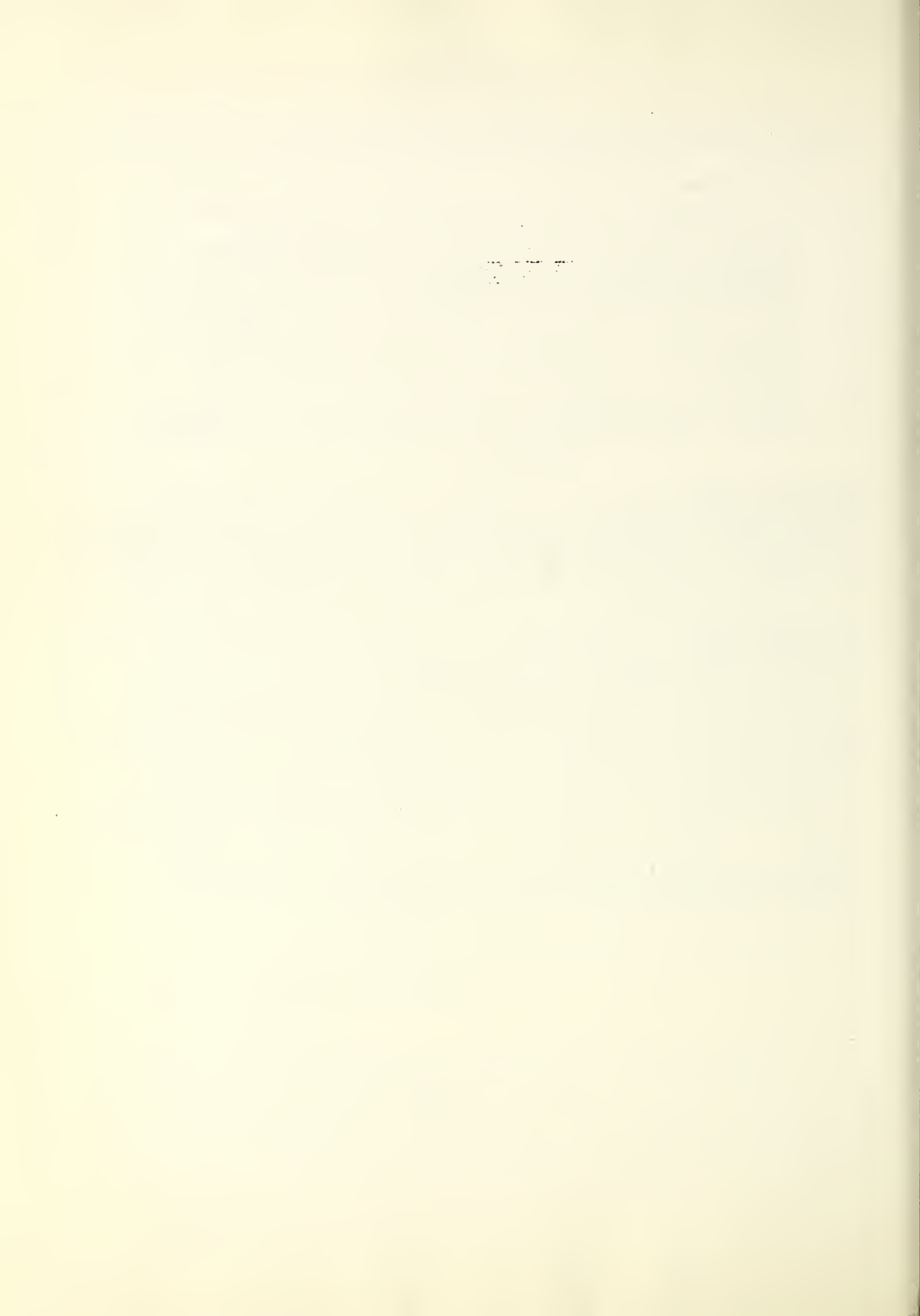
CHANGES IN LANGUAGE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

- For expenses of the Office of the Secretary of Agriculture,
* * * advertising of bids, communication service, postage,
1 washing towels, repairs and alterations, uniforms or
allowances therefor, as authorized by the Act of September
1, 1954, as amended (5 U.S.C. 2131), and other miscellaneous
supplies and expenses not otherwise provided for and neces-
sary for the practical and efficient work of the Department
of Agriculture; * * * together with such amounts from other
appropriations or authorizations as are provided in the
schedules in the budget for the current fiscal year for
such services and expenses, which several amounts or portions
thereof, as may be determined by the Secretary, not exceeding
2 a total of [\$84,280] \$113,500 * * *

The first change proposes the insertion of language in the annual
Appropriation Act which would continue to permit the use of funds appro-
priated under this item for the payment of uniform allowances to nurses
and 2 chauffeurs as authorized by the Act approved September 1, 1954,
as amended. Authority for the payment of such allowances in the fiscal
year 1956 was included in the Supplemental Appropriation Act, 1956.

The second change in language proposes to increase the amount which may
be transferred to this appropriation from "Administrative expenses,
Commodity Credit Corporation" from \$84,280 to \$113,500. The increase
is for (1) \$6,220 for increased pay costs under the Federal Employees
Salary Increase Act of 1955, (69 Stat. 172) related to the transfer of
\$84,280 authorized in 1956 for services furnished by all of the Offices
comprising the Office of the Secretary in connection with programs of
the Corporation; and (2) \$23,000 for conducting personnel investiga-
tions, which function was transferred from the Commodity Credit Corpora-
tion to the Office of Personnel, effective July 1, 1955. The responsi-
bility for investigating misconduct, acts of impropriety, or other
alleged wrongdoings on the part of employees of the Department was
centralized in the departmental Office of Personnel.



1. General Administration

The Immediate Office of the Secretary has broad responsibility for the development of national agricultural policies and for the general management of the Department of Agriculture under the laws enacted by the Congress.

Market Development and Surplus Disposal. In order to encourage international trade and promote export of United States agricultural products, emphasis is being placed on long-range development of regular commercial markets abroad for United States farm products. At the same time, increased emphasis is being placed on the short-range problem of moving agricultural surpluses. The Department agencies, under general direction of the Secretary, are expending every effort to develop markets abroad by working with governments and importers in foreign countries and with farmers, processors, exporters, and trade groups in the United States. For an effective marketing program it is essential to improve quality, encourage production of the type of commodities wanted by other countries and make timely deliveries at competitive prices. Supplies of commodities in excess of normal domestic needs are being moved into foreign markets in several ways; by selling them for dollars wherever possible; by bartering them for strategic materials; and by donating them for emergency relief. Distribution of surplus foods to users in this country and abroad was increased substantially through intensified efforts to gain maximum benefits from our food abundance. New legislation enacted by the last Congress played an important part in making possible the increased utilization, particularly in the relief of hunger and need, of foods which have been acquired by the Department in price-support and surplus-removal operations.

Food donations. Food donations to schools, institutions, and needy persons in this country and to U. S. welfare agencies for distribution abroad were made available in increased amounts during the past year. In order to make full use of the food supply and to reduce the inventory of commodities which has been built up over the years, the Department has made every effort for increased use of these foods, both at home and abroad. Their increased use has a market stabilizing effect as it reduces the market burden of inventories, and serves to reduce substantially the storage charges which accumulate so rapidly on commodities held in inventory. Commodities donated include butter, cheese, dry milk, cottonseed oil, shortening, beef and gravy, dry beans, and several other commodities for limited distribution. To make this program effective, foods distributed are those of maximum benefit to the recipients and most nearly ready for table use. Public Law 480 permitted greater latitude in the use of U. S. food stocks to aid persons in friendly countries overseas. The Department has been working with U. S. private welfare agencies and inter-governmental agencies in making these food stocks available.

Assistance to low income farmers. The Department, with the cooperation of many organizations, groups and individuals both within and outside of government, has made a study on the problems of low income farmers. The report that was prepared presents graphically the fact that large numbers of farm people with small farms have shared unequally in our country's economic and social progress. The Department has recommended a long-range program which will be aggressive and well coordinated. It envisions that it will take civic and business leadership, farm organizations, schools, churches, community and

service clubs, local, state and Federal governmental agencies, to assist in a long sustained comprehensive attack on the problems of low income farm families. Efforts will be made to develop the best practical program of action, having in mind the people, the resources, and the whole range of opportunities. It is anticipated that real progress will be made toward alleviating the problems of low income farmers as the proposed program evolves.

Organization and Management. Several significant contributions have been made toward improving management understanding and practices in the Department. Among others, a Departmental publication entitled "Essentials of Good Management" has been issued and made available to all levels of supervision in the various Departmental agencies. It presents in practical concise form the accumulated experiences and skills of the Department's outstanding executives and administrators. Several agencies are using it as the basis for helping their supervisors at all levels develop more skills and greater proficiency.

During the year a field services review study was completed. Work is now under way to make such changes and improvements as were indicated desirable by the study. Meanwhile, an effective job training program has been launched in the State and County Offices of the Agricultural Stabilization and Conservation Committees which demonstrates an excellent potential for improving service to farmers and administration of all programs at the county level.

2. Personnel Administration and Service

The Office of Personnel is the staff office of the Secretary responsible for general direction, coordination, and administration of the Department's personnel management program. Broad functional responsibilities covering all phases of personnel administration are assigned to the seven divisions comprising the Office with the exception of safety which is retained in the Director's Office. Personnel policies and procedures are devised to assist program officials in making the most effective use of all employees of the Department. An annual review is made of all existing policies and procedures and changes made to keep the personnel management program adjusted to the particular requirements of the Department's work. Prompt attention to specific problems and changing conditions is given on a continuous day to day basis. The Office, in carrying out the expressed policies of Congress, the President, Budget Bureau, Civil Service Commission, Bureau of Employees' Compensation, and other Federal agencies, makes delegations of authority to agencies to enable completion of personnel actions with a minimum of review and maximum economy in operations, issues written instructions to agencies concerning regulatory and administrative policies and procedures, and develops and administers standards and uniform practices for all phases of personnel management. More specifically, the Office is responsible for:

a. Classification, Salary Administration, and Classification Specifications:

- (1) Supervises allocation of all positions in the Department; develops policies and plans for the compensation of employees occupying positions exempted from provisions of the Classification Act of 1949, as amended.
- (2) Develops policies with respect to hours of duty for employees.

- (3) Interprets appropriate laws, Civil Service Commission rules and Comptroller General decisions and develops policies and regulations on compensation, including within-grade increases, for the guidance of agencies of the Department.
- (4) Develops classification specifications for positions peculiar to the Department, and cooperates with the Civil Service Commission in drafting specifications for positions on a service-wide basis.

b. Employee Performance and Development:

- (1) Develops policies and standards as guides for agencies of the Department for employee and executive development, employee relations, performance ratings, employee grievance and rating appeals.
- (2) Administers for the Department programs in developing supervisors and administrators, performance ratings, employee organization relationships, employee services and employee appeals.
- (3) Advises and cooperates with the agencies of the Department in carrying out these functions and acts as liaison with outside organizations such as other government agencies, educational institutions and private industry as a means of introducing improved practices and methods which will increase the efficiency of employees of the Department.

c. Employment, Recruitment, Placement, Examination, Separation, and Retirement:

- (1) Develops and administers over-all recruitment and placement activities, such as executive development agreements, training agreements, probationary trainee programs, employment of experts and consultants, contacts with Land-Grant Colleges and other educational institutions and career programs.
- (2) Administration of Civil Service Commission examining program including development of qualification and examination standards, administering a nation-wide examination program through Boards of Examiners for positions peculiar to the Department of Agriculture.
- (3) Administers the employment phases of the personnel management program including transfer, promotion, separation, leave, Social Security and unemployment compensation, and retirement.
- (4) Analyzes and coordinates the compilation of Departmental personnel statistics.

d. Organization and Personnel Management:

- (1) Develops improved personnel procedures and organization patterns, reviews organization changes and maintains current

organizational record of the Department; surveys and investigates Department's organization to improve structure, lines of authority and responsibility, flow of work and workload distribution to promote more effective use of personnel.

- (2) Directs the review and appraisal of agency personnel program activities, develops standards of personnel office performance and maintains control records on delegated authorities.
- (3) Participates in the development and execution of operating plans for the Department's Management Program and develops materials to encourage and maintain employee interest in management improvements. Arranges for the investigation of employee suggestions which require action at the departmental or higher level.
- (4) Administers the Department's Incentive Awards Program which includes honorary and cash recognition of employees' outstanding achievements.
- (5) Initiates the preparation of policy, regulatory and administrative personnel instructions.
- (6) Studies and prepares departmental reports on pending legislation having personnel implications.

e. Investigations:

- (1) Directs the inspection, investigation and disciplinary programs of the Department.
- (2) Investigates alleged violations of law applicable to the Department or violations of Department regulations.
- (3) Investigates alleged mismanagement, delinquency and misconduct of personnel within the Department and its instrumentalities.
- (4) Determines suitability for employment of applicants who have arrest records or who have been separated from the Armed Forces with other than honorable discharge, or who have been discharged from previous employment.
- (5) Conducts suitability investigations to verify qualifications of employees or prospective employees for certain types of positions.

f. Personnel Security:

- (1) Reviews and evaluates reports of full field investigations of persons in sensitive positions to determine whether such employment is consistent with the national security.
- (2) Recommends reassignment, suspension and removal of employees on security grounds.

- (3) Determines eligibility from security standpoint for employees to attend international conferences; membership on interdepartmental committees dealing with matters important to the national security; issuance of special passports for foreign travel, and security clearance for access to classified information and records.
- (4) Recommends issuance of Secretarial certificates authorizing appointment or assignment to sensitive positions pending completion of full field investigation.
- (5) Maintains control and custody of security files.

g. Employee Health:

- (1) Supervises the health service facilities of the Department.
- (2) Provides treatment of on-the-job illnesses requiring emergency attention.
- (3) Assists in the conduct of employee health education.
- (4) Advises with employees on health matters and instructs employees injured in line of duty regarding compensation rights, report requirements and procedures.
- (5) Conducts health examinations as necessary.

h. Safety:

- (1) Provides leadership for an employee safety program.
- (2) Maintains accident reporting procedure.
- (3) Keeps officials and employees advised of duties and rights under Employees' Compensation Act.

A recent change in the organizational structure of the Office transferred from the Division of Investigations to a new Division of Security the responsibility for matters relating to personnel security.

The Civil Service Commission, beginning on July 1, 1955, started conducting the personnel security investigations, including full field investigations of employees or applicants requiring clearance to occupy sensitive positions. Heretofore this Office had conducted such investigations.

The Secretary, by Memorandum Number 1381 dated June 1, 1955, transferred, effective July 1, 1955, the functions relating to the conduct of Personnel investigations from the respective agencies within the Department where such work was done to the Office of Personnel. The centralization of this activity should make possible more efficient and economical use of investigator's time, assure proper priority of action and result in the application of more uniform standards of investigation and evaluation.

Examples of Recent Developments and Activities

The following examples represent some of the significant activities with which this Office has been concerned. They are representative of the continuing problems with which the Office must deal along with the fundamental function of planning and administering an effective personnel management program for the Department

The Office continues to encourage the use of the Executive Development Program to provide a means for selecting and developing employees with the best potential of over-all executive and administrative jobs. Agencies are given advice and assistance in developing individual training plans to assure that the employee upon completion of the training program will have acquired knowledge, skill, and experience equivalent to the prescribed qualification requirements for the position to which the individual is to be promoted, reassigned, or appointed. One particular program which was developed during the past year and which is now being carefully studied by agency personnel officers, is a competitive examination for employees of the Department who have the potential and desire to enter administrative positions at the GS-5 and GS-7 levels. The program involves a comprehensive written examination as well as a thorough evaluation of the applicant by persons who know his work performance and personal characteristics. Information resulting from the above will be used as a basis for establishing rosters of outstanding people from which can be selected those persons who would be reassigned or promoted to administrative management positions. This program will receive intensive effort for the next year or so and results obtained through this approach will be carefully evaluated.

The Student Trainee Program results in a pool of well trained young college graduates who are adapted to the work for which chosen and have decided on a career in the Government service. At the present time, this program is being used in the fields of Soil Conservation, Range Conservation, Soil Science, Agricultural Engineering, and Veterinary Medicine. Studies are being made of other areas in which it might be utilized. Specifications have been approved for positions of Student Trainee (Economist and Statistician), and it is planned to announce a nation-wide examination for these positions in the Fall of 1955. Also, specifications have been approved for student trainee positions in the fields of biological and physical sciences and work is going forward on the development of programs in several options in these general fields. It is hoped that it will be possible to announce the first examination for these positions early in 1956 for employment during the following summer. As operating officials become more intimately acquainted with the Student Trainee program, the interest in it will increase and there will be a demand for the extension of the program to several types of positions for which it has not previously been utilized.

The development of new qualification standards and the revision of existing standards in line with current requirements is a continuing function. The aim of this program is to maintain a system of qualification standards and examination specifications so that recruitment needs for scientific, technical, and professional positions peculiar to the Department of Agriculture can be met by the selection of well-qualified eligibles in a minimum of time. To accomplish this purpose, the development and review of qualification standards must be considered as a continuing project. During 1954, new probational examination specifications were developed for 8 types of competitive positions in the

Department. Revised specifications were developed and issued for 41 types of positions covering 45 options. Along with these examination specifications, rating schedules were approved covering a total of 26 options and grade levels.

Personnel Incentive Programs. During the past fiscal year Title III of Public Law 763, referred to as the "Government Employees Incentive Awards Act", was approved by the 83rd Congress. As a result of the new legislation and within the framework of the Civil Service Commission's regulations, this Office developed the Department of Agriculture's new Incentive Awards Plan which will be used as an integral part of supervision and management.

To act as an advisory group in administering the new Plan, as well as assisting in stimulating wide employee interest and participation in the Awards Program, a Department Employee Awards Committee was established consisting of seven members with the Director of Personnel as chairman of the group.

This Office will continue to assist agencies in carrying out their responsibilities in connection with the Department's new Incentive Awards Plan, and will advise them concerning the administration and operation of all phases of their cash and honor award programs.

Inspection of Personnel Offices. The Office conducts periodic reviews of agency personnel offices, both Washington and field, for the purpose of determining compliance with Department policy and Department and Civil Service Commission rules and regulations. The reviews also serve as a means whereby agency personnel problems are ascertained and the effect of Department policy and regulations are gauged. Better relationships have resulted from the reviews because of mutual understanding of each other's problems and objectives which is essential to the unification of the Department's personnel program under a policy of delegated authority. As a result of the recent reorganization of the Department, which resulted in the delegation of personnel authority to a number of State offices, the inspection workload has undergone a considerable increase.

Employee Health. During the past year a total of 21,888 calls for service were made at the Health Rooms in the Washington Metropolitan Area; 1,379 patients were seen by the Medical Officer; 615 preemployment, disability retirement and other physical examinations were performed.

Classification. Priorities on new standards projects and on the revision of published standards were established during the year for (a) all series covering positions unique to the Department, and (b) suggested priorities on series covering positions of an interdepartmental nature. The priorities applied to (a) classification standards, (b) qualification standards, and (c) a combination of both (occupational standards). In its Departmental Circular No. 748, Supplement 2, the Civil Service Commission requested priority recommendations with respect to occupational standards for future planning on standards projects. The establishment of priorities on classification standards and qualification standards was done to assist the Department in planning the development of standards unique to positions within the Department.

A combined classification and qualification standard for the Veterinary Livestock Series was developed during fiscal year 1955 by the Department. This was cited by the working committee on standards in the Interagency Advisory

Group as a good example of how to achieve brevity and simplicity in standards development without sacrificing adequacy. As a result, the committee pointed out that, even though it is recognized that the approach reflected in the Veterinary Livestock standards lends itself to standards for positions predominantly unique to one agency, careful editing for purposes of brevity should be an integral part of standards development.

Policy changes by the Civil Service Commission during the year under which Departments are to develop their own standards for unique positions, subject to final Commission approval, will result in accelerated activity in the standards field during fiscal year 1956. This Department's initial effort under the new policy was a finished revision of the Forestry standards which was submitted to the Commission during the early part of July, 1955. The new policy, coupled with Commission requirements for prior approval of classification guide materials, will cause considerable additional work at both the agency and departmental level on classification standards. Before the policy was adopted, detailed development work was done by the Commission itself on most of the published standards. Responsibility for such work now rests with the Department for positions unique to this Department.

The Office approved establishment of two new wage boards to set rates for employees transferred to the prevailing rate system. One of these was established as a national board for Agricultural Marketing Service, the other for the Forest Products Laboratory at Madison, Wisconsin. Establishment of a basic wage board for Agricultural Research Service was also approved to centralize and coordinate the function formerly exercised by components of that agency prior to reorganization of the Department in 1953. This brought the number of active wage boards in the Department to a total of 14 at the end of the fiscal year. By that time, the Office had begun a study of the wage board system as operating in the Department, with a view to possible reorganization during fiscal year 1956 of the central Review Wage Board to provide greater agency assistance and participation in the review function, and with a view also to the establishment, wherever possible, of interagency boards to take over the rate setting function performed in the past by separate agency boards. Throughout this period, the Office will continue to interpret wage administration rules and decisions, issue the regulations needed to govern conversion activity, and cooperate with the Civil Service Commission and other Government departments and agencies wherever wage survey and rate determination work indicate the feasibility and wisdom of joint action in such effort.

Although much of the follow-up work on initial effects of Reorganization Plan No. 2 was completed in the first six months of fiscal year 1955, the job allocations workload continued at a relatively high rate for the whole year. 423 key positions were handled during the year. Allocations work included development of a special plan for evaluation of Agricultural Attache positions transferred from State Department under P. L. 690. This involved establishment of factors or criteria under which foreign post differences could be equitably reflected in individual job responsibility and a uniform plan by which reassignment of positions among posts could be effected with minimum delay under urgent or emergency conditions affecting job responsibility at particular posts at any given time.

The position review program under Section 1310(d) of the Supplemental Appropriation Act, 1952, continues to involve a considerable amount of time on the

part of the Office and agency classification staffs. The requirements of Section 1310(d) for (1) annual review of all positions to determine their necessity and classification adequacy, and (2) an annual report showing the number of employees in each grade compared with the total number in the same grade for the previous year will be met within the Department. Generally speaking, the procedure adopted by the Department to meet the annual review requirement is that annually a certificate of the accuracy of each job description be signed by each employee and his supervisor. In many cases this is done in conjunction with the Performance Rating Plan. In addition to this certificate, the Department has a goal of 25% coverage of positions by actual work audits made by classifiers to supplement employee-supervisor review. Twenty-five percent coverage was not achieved during the past fiscal year, primarily because of reorganization effects, and plans for 1956 include reemphasis of this program to restore it to the established goal.

Investigatory Services. During Fiscal Year 1955, this Office conducted 594 investigations of various types, of which 576 were full background investigations of employees or applicants requiring clearance to occupy sensitive positions. The remaining cases consisted of 11 personnel investigations, 5 administrative investigations, and 2 investigations of alleged prohibited political activity. Of the 576 cases requiring full background investigations, 461 were also given clearance to handle material classified up to and including SECRET or TOP SECRET. Security clearances were processed for 124 employees to handle material classified as CONFIDENTIAL; 113 employees for whom the Department requested special passports for official foreign travel; and 83 employees or nonemployees nominated by the Department to attend international conferences. Much of this work was performed on a reimbursable basis.

Training in Administrative Management. The Secretary's Committee on Training in Administrative Management guides and directs this program. It is aimed at high level employees responsible for improvement of administration. To date, 385 Department employees from 19 agencies have been trained in Training in Administrative Management institutes and workshops. One Training in Administrative Management workshop, attended by 31 employees, was planned and carried out by local leaders at Beltsville this past year. Plans for additional Training in Administrative Management workshops which were suspended due to reorganization of the Department should go forward this coming year. A third institute to develop additional leaders should also be held in the year ahead. It will be necessary to give guidance and assistance to local leaders in resuming their plans for local workshops, and to plan and carry out the Committee's plans for an institute in the coming year. Application of the principles, material and procedure of the institutes and workshops is continuing by several agencies in carrying out their regular work.

Employee Development. New and revised material was developed to incorporate in "Guide Posts for Supervisors", the basic manual through which the Office of Personnel guides, stimulates and coordinates the Department's Supervisory Development Program.

One of the most important sections in the manual, issued originally as "Tentative Standards for Appraising Supervisory Performance," was completely revised and is now titled, "Supervisor Appraisal Elements." These standards serve as guides for Appraisal of Supervisors, preparation of Job Performance Standards, Self Improvement Plans, Career Development Plans and Supervisory Training Plans for individuals or groups.

To assure that agencies, supervisors, and employees might fully understand the "Objectives of In-Service Training" and the responsibilities for giving them appropriate attention, a four-page flyer on this subject was prepared for distribution to supervisors throughout the Department.

Emphasis was also placed on the importance of "Quickly and Effectively Training Employees and Understudies" by revising an out-of-print publication on this subject for issuance to supervisors throughout the Department as a four-page flyer.

All of these efforts are designed to stimulate both supervisors and employees to improve themselves in an environment provided by management that is conducive to self-improvement. Broadening experiences are thus encouraged and provided for those with potential and ambition. These plans will provide the Department a source of developing talent for assignment to positions of greater responsibility as opportunities occur.

3. Budgetary and Financial Administration and Service

The Office of Budget and Finance is responsible for department-wide coordination of the budgetary and financial aspects of Department programs and activities, including related supply and property management functions, internal audit and program appraisal, administrative and fund accounting and other activities relating to the acquisition, distribution and use of funds. The most significant developments in these activities during the fiscal year 1955 were as follows:

Among new developments and improvements in the field of budgetary administration requiring action by the Office in the past year were the following:

- a. Allotment system simplified. Assignment of coordinating responsibilities for certain programs involving more than one agency of the Department permitted further simplification of financing procedures. In lieu of separate allotments to the several agencies involved in such programs as Flood Prevention, Watershed Protection, and the School Lunch Program, a single allotment is now made to the agency having coordinating responsibilities for the entire program which, in turn, makes working fund advances to cooperating agencies, based upon agreements which have been approved by the Director of Finance. This simplified allotment system also reduces the number of documents requiring the attention of the Secretary and his staff at the Departmental level.
- b. Obligation control system revised. The Departmental system of administrative control of funds under apportionments was first promulgated in 1951 to implement section 3679, Revised Statutes, as amended by section 1211 of the General Appropriation Act, 1951 (the "Anti-Deficiency Act"). Necessary revisions in the system were made in fiscal year 1955 and approved by the Bureau of the Budget to take into consideration changes in the provisions of Budget-Treasury Regulation No. 1, section 1311 of the Supplemental Appropriation Act, 1955, the recent reorganization of the Department, and the Department's experience in operating under the former system. Revised agency systems of control are being reviewed for consistency with the new requirements.

- c. Unexpended balances for 1954 reconciled with Treasury Combined Statement. In order to insure that figures reported on the Treasury Combined Statement and in agency accounting records would be in agreement, an intensive analysis of unexpended balances was made in cooperation with representatives of the General Accounting Office, and adjustments made where necessary.
 - d. New requirements for recording and reporting obligations implemented. Section 1311 of the Supplemental Appropriation Act, 1955 (68 Stat. 830) enacted into law certain requirements for the recording and reporting of obligations and balances under each appropriation or fund. Implementation in fiscal year 1955 involved: (a) the preparation and issuance of detailed instructions to agencies of the Department, and (b) advice and assistance to Department agencies with regard to the interpretation of section 1311 and the preparation of reports. The agency reports were reviewed and analyzed to accuracy and completeness.
- A vigorous follow-up program was carried out to facilitate compliance with Section 1311 and the compilation and review of subsequent reports. Departmental agencies were assisted in carrying out a review of accounting, reporting and budgetary procedures and practices in order to establish proper obligation procedures, coordinate accounting records with fiscal and budgetary reports, and to effect other improvements where necessary.
- e. Funds provided for the Federal Employees Salary Increase Act of 1955. In connection with this act, the Office made a special analysis of increased pay costs for the fiscal year 1955 under each appropriation and fund, and arranged for the transfer of unobligated balances between appropriations to enable the Department to absorb the entire cost of the retroactive payments for 1955.

In the field of budgetary and financial reporting a great variety of special projects was handled during the past year. Much of this work is concerned with the compilation of special reports to meet needs within the Department and to provide information in response to requests from Congress, various public and private organizations, and the general public. In addition, there are a number of recurring reports which receive Departmental review and clearance before submission to the Budget Bureau, Treasury Department, and other agencies. The improvement of agency reporting systems and the development of improved reporting procedures and techniques also constitute one of the important responsibilities in this area, including liaison with agencies outside the Department on such matters.

Some of the more important activities during the past year were (1) a survey of educational activities of the Department, and their cost, undertaken at the request of the House Committee on Education and Labor; (2) service as liaison, and in a facilitating capacity, with the Commission on Intergovernmental Relations in its studies of the programs of the Department of Agriculture; (3) development, for review and comment by the agencies of the Department, of a statement of reporting principles and standards which will be made available for the guidance of those concerned with budgetary and financial reports; (4) refinement, and extension to cover an additional year, of the statement

showing realized costs of agricultural programs, over a 23-year period, which was prepared initially in the preceding year; (5) review and comments on a proposed Treasury Department circular revising regulations governing the preparation of uniform financial statements; and (6) negotiations with the Treasury Department on the appropriate disclosure in the "Monthly Statement of Receipts and Expenditures of the U. S." of the Department's transactions, by agency and program as necessary in the public interest.

The Department Regulations and related procedures on legislative reporting were brought up to date. 678 legislative reports were prepared or reviewed from the standpoint of budgetary and related administrative and program implications, revised when necessary, and cleared with the appropriate agencies. (This was an increase of 96 percent over the previous year, when 346 cases were handled.)

In connection with internal audit and program appraisal activities, a complete review and evaluation of agency independent inspection facilities was made to determine their adequacy and effectiveness. The results of this review were used as a basis for recommending improvements for strengthening such facilities at the Department and agency levels. Continued emphasis was given to the expansion of agency internal audit scope of examination to comply with the Department's policy and objective of internal audit. This Office has continued to provide technical advice and consultation with agency internal audit staffs on specific problem areas and to assist in the preparation of audit procedures, extension of scope, improvements in audit techniques and other related matters. This Office will intensify its review and appraisal of agency internal audit and program appraisal and program investigation staffs to determine their adequacy and effectiveness as to coverage, placing greater emphasis on the operational and program aspects of inspection. Further, plans are under way for improving the flow of significant audit and program investigation findings to responsible Department officials and for strengthening the follow-up action on such findings. During the past year the General Accounting Office extended its comprehensive audit program in the Department and presently all corporations and eight of the service agencies of the Department are receiving such audit. This Office performs necessary liaison between the agencies and corporations of the Department and the General Accounting Office.

Review of Hoover Commission reports, pursuant to Budget Bureau Bulletin No. 55-5, entailed staff assistance in organizing committees to analyze and comment on recommendations affecting the Department, issuing necessary instructions for uniform preparation of the material, and coordination of the reporting procedures. Members of the staff participated as members of several Departmental technical review committees to analyze the Commission recommendations and evaluate their implications with respect to programs of the Department.

Commercial-industrial activities of the Department were inventoried in accordance with Budget Bureau Bulletin No. 55-4. Evaluation reports also were prepared on manufacturing activities. The volume of commercial-industrial activities in the Department was found to be relatively small. In a few instances it may be possible to rely on private business to furnish the services and products involved.

Significant progress was made during the fiscal year in ten agencies of the Department in establishing accounting systems which conform to current principles and standards prescribed by the Comptroller General. The work was performed in close cooperation with the General Accounting Office in furtherance of the Joint Program to Improve Accounting in the Federal Government and the broad authorities contained in the Accounting and Auditing Act of 1950. In revising the agency accounting system and related procedures consideration was given to the size, type of organization, extent of field activities, and programs of the agency, with a view to providing more meaningful, timely and reliable financial data for management use and reporting purposes. Maintenance of accounting systems and procedures which conform to current principles and standards is a big task and will take considerable time to complete. Plans for the ensuing year contemplate a continuation of these studies and development work. Examples of accomplishments during the year and work plans for the immediate future are:

- a. A revised accounting system for the Rural Electrification Administration was installed and tested. An accounting manual was prepared describing the system in detail, including provision for distributing general administrative cost to program activities on a man-year basis with provision for periodic reviews to assure the equity of the method used. It is planned to secure approval of the Comptroller General during the current year.
- b. The accounting practices and procedures employed by the Farmers Cooperative Service were reviewed and an accounting system was developed and installed. An accounting manual was prepared and, on June 6, 1955, approved by the Comptroller General. The principal features of the system are: (1) responsibility for control of funds is placed where obligational authority is vested, (2) a time reporting procedure is used to distribute cost to the several funds, and (3) the conventional allotment ledgers have been replaced with simplified obligation control registers.
- c. An accounting manual covering the revised accounting system installed in the Office of the General Counsel in 1954 was approved by the Comptroller General on August 30, 1954. The system includes (1) simplification of fund control by segregating the control of funds from the classification of expenditures, resulting in a reduction of allotment accounts from 70 to 1, (2) direct accounting support for budget activities, (3) strengthened internal controls over assets including property transactions, and (4) the production of current and effective reports for management purposes.
- d. A revised accounting system was developed and installed in the Office of Information, the principal features of which include (1) better internal control over cash received from the sales of publications and still photographs, (2) simplification of the method of accumulating charges for reimbursable work, and (3) reduction in the number of cost centers for still photographic laboratory work and the simplification of the method of accumulating costs. An accounting manual documenting the system was completed and will be submitted to the Comptroller General for approval.

- e. An accounting manual for the Foreign Agricultural Service was completed with the exception of one minor section. It will be submitted to the Comptroller General for approval in the current fiscal year. Basic features of the accounting system, set forth in the manual, include: (1) revised budget activities and accounting support for such activities, (2) a formalized system, supported by accounting documentation and records, for distributing indirect charges between funds and budget activities, (3) a chart of accounts numbered and arranged for better integration of general ledger account classifications, (4) internal reports providing management with useful financial data, and (5) a procedure for accounting for collections, involving use of a collections register.
- f. Continued progress was made in developing an improved accounting system and related procedures in the Forest Service. Methods of accounting for revenues and receipts were revised resulting in (1) establishment of general ledger control accounts in regional offices for recording amounts due from sales and uses of national forest resources, (2) segregation in regional offices of functional responsibilities involved in processing remittances from purchases and users and (3) elimination of collection registers in all national forest offices. During the year, the Treasury Department approved the establishment of a deposit fund account for use by Forest Service for initially depositing all receipts from timber sales. Procedures for establishing and operating this account are being tested in several field offices, beginning July 1, 1955. In several field locations, studies and analyses are under way to determine the practicability of (1) establishing general ledger control accounts for recording earned and unearned revenue and (2) providing improved controls over the billing and recording of receivables. Continued emphasis on effecting improvements in accounting techniques has resulted in the development of a report which embodies proposals for (1) strengthening controls over assets and liabilities, (2) effecting equitable charges to appropriations and funds, (3) providing for increasing the use of accounting information in the preparation of budget estimates and in the allocation of funds to field offices and (4) providing current financial information for use by field administrators in managing programs.
- g. A survey was made of the accounting system and procedures of the Commodity Stabilization Service. A report was prepared which places special emphasis upon the need for (1) simplifying accounting processes, (2) providing greater uniformity in accounting procedures among field installations, (3) effecting more uniformity in forms and records, (4) revising the classification of accounts which would be more suited to the needs of the agency and (5) preparing a manual to describe the accounting system which would be submitted to the Comptroller General for approval.
- h. A survey of the accounting system and procedures was initiated in the Agricultural Marketing Service. To date the survey has covered the agency's allotment procedures and the controls being exercised by allottees over obligation of funds. The survey will be extended

during the current fiscal year into the remaining phases of the accounting system, after which a complete report containing appropriate recommendations will be submitted to the agency, for consideration in the revision of its accounting system.

- i. Studies were continued in the Agricultural Research Service to determine the feasibility of decentralizing business operations to regional business offices. As a result, the establishment of regional business offices was approved and a plan was developed for the decentralization to be completed sometime in the current fiscal year. Modifications were made in the chart of general ledger accounts and procedures were developed for further decentralization of the accounting operations to regional business offices. Allotment accounting procedures were simplified and considerable duplication in accounting work and recordation of financial data were eliminated through the development of improved and simplified accounting procedures and forms. Plans have been made to further decentralize payroll activities to the business offices. Additional areas where improvements are needed in the over-all accounting system are receiving continued attention.

This Office has furnished leadership to the agencies in the development of Department-wide fiscal procedures and methods designed to effect improvement, efficiency, and economy in operations. The need to adapt and modify fiscal practices and methods to changing accounting concepts and improved organizational patterns, requires continuous study of fiscal activities to achieve essential efficiency and economy of operation. During the year a number of new procedures were tested and installed, a few of which are illustrated below:

- a. Changes in agency accounting systems and procedures relating to the control of Treasury cash were necessary as the result of improvements and simplifications made by the Treasury Department, effective July 1, 1954. The elimination of cash control from the individual disbursing officers placed the full responsibility on the agencies for installing cash control records to avoid over-spending of funds. This Office developed guidelines for proper control procedures and worked with the individual agencies to assure their establishment. Related to these changes, new cash reconciliation procedures were established for use throughout the Department.
- b. The development of improved methods and procedures for reporting by the Treasury Department of deposits and expenditures emphasized the need for a means of identifying transactions on an accounting unit basis as well as on an individual agency basis. This Office collaborated with Treasury Department and General Accounting Office in developing accounting codes for use in identifying expenditure and repayment documents similar to that developed for identifying contracts. This enables central fiscal offices to identify the source of activity and thus facilitate the reconciliation of their cash accounts with Treasury Department.
- c. During the year a pilot study was conducted by this Office in handling adjustments in transportation vouchers. The plan provided for full payment of all transportation vouchers as submitted

and for any unused tickets to be returned to the carriers for cash refunds. Early tests indicated that this would prove advantageous and economical to operate. Recently the General Accounting Office prescribed a similar plan for Government-wide use which with the development of standard forms and procedures should provide further advantages to the Government.

As a continuing program to promote maximum uniformity and effectiveness in fiscal practices throughout the Department, instructions on changes and improved procedures were issued to the agencies through the Administrative Regulations and Budget and Finance Memoranda. A new chapter on claims was added to the Regulations to set forth new policies and to provide new procedures on the handling of various types of claims by Department officials. New sections were also included in the Regulations to guide agencies in the fiscal activities involved in group life insurance, unemployment compensation, levies for delinquent Federal income taxes, deductions for new state income taxes, and changes in the premium pay of employees as the result of the Fringe Benefit Bill.

For several years various agencies of the Department have been using a simplified depositing procedure which, effective with this fiscal year, was extended to all agencies. Procedures have been developed for processing documents for the direct deposit of collections, for establishing uniform controls, and other requirements to safeguard funds of the Department. Future plans contemplate the development and issuance of regulations to define or prescribe principles and standards in fiscal and accounting operations for application throughout the Department. Complete revisions and codification of the fiscal regulations to reflect modern accounting concepts and procedures prescribed by the General Accounting Office and the Treasury Department is a big task and will take considerable time and study to complete.

In procurement and property management, the coordination of agency supply distribution channels with supply facilities of the stores depots of General Services Administration received continued emphasis. In cooperative studies with GSA of this phase of supply management, particular attention was given to problems arising from small orders placed on GSA stores, and the means for providing small requirements of supplies to the field offices in the most economical manner. Simplified control procedures for cupboard stocks at several locations were provided. Certain warehousing activities were substantially reduced and one such facility eliminated.

A member of the staff worked in cooperation with the President's Committee on Government Contracts to improve and make more effective the nondiscrimination provisions of Government contracts. In accordance with Executive Order 10582, procedures were developed and prescribed for agencies of the Department with respect to determinations to be made in purchases of materials of foreign and domestic origin.

Numerous discussions were held with officers of the General Services Administration concerning details, including scope, objectives, techniques, timing, etc., of the survey by that agency of supply and property accounting activities in the Department. Members of the staff have been cooperating with the survey team on the initial phases of the survey.

The Office assisted agencies in their contracting work, including (1) the development of contract specifications more responsive to agency needs, (2) the development of contracts negotiated pursuant to the Research and Marketing Act, (3) the development of construction and other contracts in connection with the completion of the Plum Island Animal Disease Laboratory, and (4) development of contracting procedures for the Forest Service to contract for engineering services in connection with its accelerated program of road construction to facilitate the salvage of large quantities of insect infested, diseased, and over-aged timber. As a further means of improving contracting procedures, a revision of the portion of the Administrative Regulations on contracting is now in process.

Inspections of procurement, warehousing, and property operations were made at 39 representative agency field locations to determine standards of efficiency and economy, and the adequacy of management techniques and principles. Agencies were advised of areas wherein improvements were desirable, and given aid in the development of improved policies and procedures.

Cooperative activities with the General Services Administration on Federal Specifications and Standards were very active during the year. There were submitted to Departmental agencies for review 356 proposed, or revisions of existing, Federal Specifications, and 17 proposed Federal Standards; and, on a continuing arrangement basis, 6 broad categories of Federal Specifications on food. Arrangements were made with the agencies for development of specifications under 26 separate projects submitted by the General Services Administration. Also, 21 proposed Commercial Standards and Simplified Practice Recommendations, submitted by the Department of Commerce, were referred to appropriate agencies for review and comments.

As a further means of implementing sound personal property control, the Office initiated a project to simplify and reduce the number of property accountability forms which project is almost completed. Several improvements in property utilization, control, and disposition procedures were made through the revision and implementation of the Administrative Regulations. The Office continued to collaborate with the property management staffs in the agencies on specific and general property problems, including such matters as (1) development of control procedures and forms, (2) upgrading of equipment, (3) disposal of foreign excess property, and (4) motor vehicle management problems. Additional studies will be made in these various management areas.

Progress was made toward the long-range objective of attaining maximum property utilization. Emphasis was placed on needed improvements in this area through the initiation and carrying through to completion of a Department-wide special personal property utilization survey, with the result that a considerable amount of excess property was redistributed for further use within the Department and to other Federal agencies, or disposed of as surplus. The amounts of serviceable personal property determined to be excess during the 1955 fiscal year, by quarters, are as follows:

	<u>Reported to Area Equipment Committees</u>	<u>Reported to Departmental Excess Property Pool</u>	<u>Total Excess Reported</u>
July - September	\$ 342,158	\$ 50,614	\$ 392,772
October - December	252,323	22,834	275,157
January - March	413,329	62,172	475,501
April - June	<u>419,791</u>	<u>29,968</u>	<u>449,759</u>
Totals	\$1,427,601	\$165,588	\$1,593,189

The total amount of property determined to be excess for the third quarter (January - March), the period during which the special survey was undertaken, and for the fourth quarter is up considerably over each of the two preceding quarters. A review of statistics for comparable periods for previous years indicates that the increased activity during the third and fourth quarters of the 1955 fiscal year can be attributed, in large measure, to the special survey.

During the year, the seven Area Agriculture Equipment Committees, operating at the field level under supervision of this Office, facilitated the redistribution of over \$295,000 (original cost) worth of property among agencies of the Department for further use. This amounted to about 20% of the total value of excess property reported to the Committees. The remainder of such property was authorized for transfer to other Federal agencies, donation to public, educational or health institutions, or for disposal as surplus. The Chairmen of these Committees also acted in a liaison and coordinating capacity with agencies of the Department, General Services Administration regional offices, and other Federal agencies concerning utilization and disposition of property.

Extensive studies and consultations were carried on with the General Services Administration and agencies of the Department in connection with studies being made by the General Services Administration to determine the feasibility of establishing motor vehicle pools and systems in certain metropolitan areas in accordance with the provisions of Public Law 766, 83rd Congress, and Executive Order 10579. As of June 30, 1955, these studies were in process in twelve metropolitan areas throughout the United States. It is anticipated that these studies will be expanded to include additional areas. Special consideration was given to better utilization of motor vehicles as a part of the continuing effort to reduce the number of vehicles needed, and to improving the coordination in reporting operating and cost data to the General Services Administration and to the Bureau of the Budget.

4. General Operations

In the fiscal year 1955 the Office of Plant and Operations gave increased emphasis to the department-wide coordination and guidance in the fields of real estate and records management services, technical services incident to the design and approval of construction projects, contractual authority as it pertains to the leasing of commercial space and all matters concerned with the disposition of surplus real property.

Real Property Management Services

The Washington space problem continued to require considerable attention of this Office during the fiscal year. While plans had been completed and moving

started to provide space readjustments to carry out the November 1953 reorganization of the Department, increases in the number of employees in Washington required drastic revisions of plans at the beginning of the fiscal year. This was accomplished and the necessary space provided. The move to accomplish this space readjustment involved 3,770 office bays in the South, Administration and Annex Buildings. In order to bring together component parts of agencies and to provide organizational layouts designed to facilitate operations, the planning and execution of the move required the use of such management techniques as space layout, work-flow studies, determination of interrelationships of agencies, etc. It also required close coordination of moving operations with building alterations to provide for expeditious moving and to minimize disruption of work in the office being moved. At the end of the fiscal year, further planning was being instituted to provide adequate space in Washington. Included in this planning was more intensive utilization of space available at the Agricultural Research Center, Beltsville, Maryland.

During the year, a contract was entered into to provide for consolidation of the State Offices in Oklahoma at Stillwater. The consolidated State Offices of the Department were moved from Oakland to Berkeley, California to provide improved quarters and better liaison with cooperating State agencies. There were numerous other field problems arising from the need for more adequate space, better utilization of existing space or improvement in working environment. This involved the relocation of certain offices and considerable internal readjustments between the agencies at other locations. To accomplish this, considerable field travel and Washington consultation were required of members of the staff to provide technical assistance for solving architectural, engineering, space acquisition and space management problems.

Liaison functions of the Office with the General Services Administration continued to increase because of the inadequacy of the funds of that Agency to provide needed facilities. Decentralization of authority to the ten regions of General Services Administration required continuous attention in order to suggest or formulate clarification of regulations and procedures issued by the Department or the General Services Administration.

During the year increased emphasis was given to the disposal of real property which was excess to the needs of the Department. In cooperation with the Bureau of the Budget, real property holdings of the Department were analyzed carefully and physical inspection was made of properties near Washington. This review will continue during the fiscal year 1956. Fourteen properties were reported excess to the needs of the Department to the General Services Administration and numerous properties were disposed of under authority delegated to the Department by the General Services Administration.

During the fiscal year an inventory of the real property holdings of the Department was submitted to the General Services Administration as required by Senate Report No. 237 of the Committee on Appropriations, dated May 12, 1953. This inventory revealed that the Department had in the continental United States, as of December 31, 1953, 168,482,888 acres of land and that the cost of land and improvements is estimated at \$607,036,000. At the end of the fiscal year plans were being made for the reporting of an inventory each year to the General Services Administration and extending that inventory to cover property in the territories and foreign countries.

Department space requirements in a total of 55 projects proposed to be constructed under the Public Buildings Purchase Contract Act of 1954 were submitted to the General Services Administration. Preliminary estimates on other projects for possible construction under this Act were also submitted. In addition, estimates were submitted to General Services Administration for 18 projects which the Post Office Department has proposed to build under the Post Office Property Act of 1954.

Engineering and architectural design and advice were rendered to several agencies of the Department for construction or alteration of buildings under appropriations available to the Department. Many problems of alteration of buildings under the control of the Post Office Department or the General Services Administration were considered. Recommendations to improve conditions in Federal buildings both in Washington and the field, including such necessities as improved lighting, air conditioning, painting, etc., met with little success due to the unavailability of funds in the General Services Administration which has responsibility for the improvements and repairs of such buildings.

Engineers of the Office continued to serve as representatives on the Federal Fire Council and work with the Buildings Research Advisory Board and the American Standards Association on matters concerning building safety, construction and occupancy.

The Department of Agriculture occupied 1,468,866 square feet of space in the District of Columbia and approximately 14,300,000 square feet of space in the field as of June 30, 1955.

Records Management Services

This Office has staff responsibility for carrying out the mandates of the Federal Records Act of 1950, 64 Stat. 583, which requires that each Federal agency establish and maintain an active, continuing records management program. The Department-wide program provides for (1) effective controls over the creation, maintenance and use, and the disposition of records, (2) collaboration with the agencies in developing and applying standards, procedures, and techniques designed to improve the management of records in all phases, and (3) review of agencies' records management practices to evaluate their compliance with the over-all records management program.

The Office moved to a limited extent into the creation phase of records management by collaborating with the agencies on paperwork management practices. Substantial progress will be made in this field during the current year. The maintenance and use phase of records management came in for considerable attention as several of the agencies were given varying degrees of assistance in the installation of the Subject-Numeric Filing System or through the introduction of refinements in the existing systems.

The Office collaborated with and gave assistance to a number of agencies in the preparation and issuance of manuals containing records disposal schedules for the respective agencies. A substantial revision of O.P.O. Publication No. 10, Records Disposition, was also prepared and issued during the year.

During the year the Office extended its review program of agencies' records management practices to the field. In the course of making these reviews a

total of 15 cities and 64 agency installations were visited. The value of these reviews which cover all phases of the records management program has already been established by actual accomplishments and by improvements of a continuing nature. This review program is now one of this Office's most important projects.

The Office worked with several agencies in revising and improving internal organizational structures as related to personnel responsible for the records management programs. This included better apportionment of time to be given to records management.

The liaison activities of the Office between the Department and the National Archives and Records Management Service, General Services Administration, continued to be an important factor in the records management responsibility of all activities concerned.

The following constitutes the highlights of the annual statistical summary of records holdings as of June 30, 1955:

	<u>Washington, D. C.</u>	<u>Field</u>
Volume of records on hand at the beginning of the fiscal year (cubic feet)	161,857	727,101
Volume of records disposed of during the fiscal year (cubic feet)	18,792	82,770
Volume of records transferred to other agencies during the fiscal year (cubic feet)	7,633	11,227
Volume of records on hand at the end of the fiscal year (cubic feet)	161,215	731,992

The Hoover Commission Task Force on Paperwork Management, in discussing the percentage of records of an agency which should be considered as permanent, said that in Government realistic scheduling should reduce its permanent records to under 10% of its holdings. In the Department of Agriculture, as of June 30, 1955, only 8.62% of our records were considered to be permanent.

Administrative Services are provided for the several staff offices comprising the Office of the Secretary. These services include personnel and budgetary functions for the Office of the Secretary, and space management and records management activities for the Immediate Office of the Secretary and the Office of Plant and Operations.

In a continuing effort to improve internal operating procedures and to provide for better utilization and accountability of personal property, a Personal Property Management Plan was established which was designed to simplify and better control the management of personal property in the Office of the Secretary.

The Office is responsible for recruitment, appointment, classification, training, counseling, employee relations activities and placement services, and the maintenance of pertinent records and preparation of reports and statistics

as required by the Department, Civil Service Commission, Budget Bureau and the Congress. The responsibility for budgetary control of funds appropriated and allotted to the Office of the Secretary rests in this Office. Budget estimates and justifications are developed and coordinated in collaboration with the heads of the staff offices of the Office of the Secretary, and the necessary material is prepared for appropriate hearings before the Bureau of the Budget and the Congress. This Office also has general responsibility for the referral and dispatch of Secretarial mail, the maintenance of a central records filing system, the processing of all Secretary's memoranda and administrative regulations, and for advising individual offices on records management problems. In addition, a record of public advisory, interdepartmental and internal committees is maintained as a part of the Department's committee management program. A complete reference service covering the above function is provided for the Department.

Service Operations

This Office is responsible for the furnishing of reproduction and mailing services and for the central storing and issuing of supplies and printed forms to all agencies of the Department in Washington, as well as for the operation of a central departmental telephone switchboard, the telegraph office, Motor transport services, and the Department's post office.

Expeditious handling of the Department's official mail continues to occupy the attention of the Department Post Office. With the completion of the rearrangement and the remodeling of the Post Office facilities, a marked reduction in time required to get the mail into the hands of agency personnel was noted. This speed-up in handling is attributed to the more direct flow of the mail through the Post Office, with less lost motion. The improved design of the mail sorting facilities speeds sorting and, at the same time, reduces the possibility of errors.

By preliminary scanning of the bundles of incoming mail as they are dumped from the sacks, the Post Office clerks identify and extract from the huge mass of letters certain distinctively colored envelopes containing remittances from cooperatives. These envelopes are dispatched to the agency well in advance of the rest of the mail, and through such preferential handling the agency is able to forward the remittances to the Treasury, with a minimum of lost time and a savings in interest charges.

5. Regulatory Hearings and Decisions

The activities "Regulatory Hearings and Decisions" includes the work of the Office of the Hearing Examiners, as well as the functions of the Judicial Officer and the Hearing Clerk Unit. The Office of Hearing Examiners hold hearings when called on to do so by the administrative agencies of the Department in connection with the prescribing of new regulations and orders and hearings on disciplinary complaints filed by the Department against individuals and on petitions filed by private parties asking relief from some action of the Department or its agencies.

In general, the examiners make reports, recommend decisions, and perform such related duties as may be required by the Administrative Procedure Act and the statutory provisions, regulations, and rules of practice applicable to

various matters under their jurisdiction. In accordance with the Administrative Procedure Act, administrative hearings are, with few exceptions, held outside of Washington, D. C.

A comparison of the number of hearings held by hearing examiners under the various acts during the fiscal year ending on June 30 of each year is shown in the following table:

<u>Laws Involved</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Agricultural Marketing Agreement Act	79	64	69	63	103	68
Commodity Exchange Act	5	1	1	4	10	4
Packers and Stockyards Act	11	12	36	5	7	4
Perishable Agricultural Commodities Act	2	2	5	1	3	5
Sugar Act	2	2	2	2	4	7
Warehouse Act	1	0	0	0	0	0
Market Inspection of Farm Products	0	0	1	1	0	6
	<u>100</u>	<u>81</u>	<u>114</u>	<u>76</u>	<u>127</u>	<u>94</u>

The Judicial Officer renders final administrative decisions in regulatory proceedings of a judicial or quasi-judicial nature.

The Hearing Clerk Unit has the responsibility for receiving, filing and acknowledging the receipt of complaints, petitions, answers, briefs, arguments, and other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department. They issue notices of hearings, serve upon parties concerned any documents required in connection with such proceedings, arrange for suitable places for hearings to be held and for appropriate stenographic reporting, and maintain a docket record of all documents and proceedings. A publication, "Agriculture Decisions," containing decisions of the Secretary of Agriculture in connection with all quasi-judicial functions and administrative hearings of the Department is issued monthly.

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

(b) Working Capital Fund, Department of Agriculture

The working capital fund is a "no-year" operating fund of \$400,000 established by the 1944 Agricultural Appropriation Act to pay the operating costs of certain centralized service organizations pending receipt of reimbursements for such costs from the agencies provided with the services. The integrity of the original appropriation is maintained from year to year by means of these reimbursements, and an appropriation in 1957 is, therefore, unnecessary.

Statements reflecting the assets and liabilities and income and expenses of the working capital fund as of June 30, 1955, as well as estimates for 1956 and 1957, are printed in the Budget schedules for the fiscal year 1957.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955, were actually received or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	: : Obligations: : 1955	: Estimated : Obligations: : 1956	: Estimated : Obligations: : 1957
<u>Allocations and Working Funds (Advances from other Agencies):</u>	:	:	:
<u>Rural Electrification Administration -</u>	:	:	:
For expenses relating to investigations of rural electrification cooperatives	: \$19,291	: \$20,307	: - -
<u>International Cooperation - To cover costs:</u>	:	:	:
incurred for the establishment and maintenance of a roster of technically trained agriculturists	: 9,751	: 10,225	: - -
Total, Allocations and Working Funds ..	: 29,042	: 30,532	: - -
<u>Obligations Under Reimbursements From Governmental and Other Sources:</u>	:	:	:
Salaries and Expenses	: 92,208	: 25,565	: \$2,720
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	: 121,250	: 56,097	: 2,720



PASSENGER MOTOR VEHICLES

The estimates for 1957 continue the authority to replace one of the automobiles of the Secretary.

As of December 31, 1955, there were three automobiles assigned to the Office of Secretary which are operated in the District of Columbia. In addition, one vehicle is rented on an annual basis.

The rented vehicle is used by the Secretary of Agriculture and the other three vehicles are used on official business by the Under Secretary, the Assistant Secretaries, and members of their immediate staffs, as well as the heads and other responsible officials of the staff offices which comprise the Office of the Secretary.

The following tabulation reflects the age and mileage data for each vehicle assigned to the Office of the Secretary as of June 30, 1955:

<u>Number of Vehicles</u>	<u>Lifetime Mileage</u>	<u>Age Year Model</u>
		<u>Number</u> <u>Year Model</u>
1	1,000 - 2,000	1 1955
1	30,000- 35,000	1 1951
1	35,000- 40,000	1 1948

OFFICE OF INFORMATION

Purpose Statement

The Office of Information was established under its present name in 1925 as a consolidation of functions formally organized as early as 1889, to coordinate in the Department the dissemination of information useful to agriculture as directed by the Act establishing the Department of Agriculture in 1862.

The Office has general direction and supervision of all publications and other information policies and activities of the Department including the final review, illustrating, printing and distribution of publications, clearance and release of press, radio, television, and magazine materials, maintenance of central files of news and general illustration-type photographs; and the preparation and distribution of exhibits and motion pictures. The Office publishes the Yearbook of Agriculture, the annual report of the Secretary of Agriculture, the Department Directory, the Department List of Publications; handles the details of distributing farmers' bulletins allotted to Members of Congress; and services letter and telephone requests for general information received in the Department. It also produces visual informational materials, such as motion pictures, exhibits, art and graphics materials, and still photographic work for the Department and other Government agencies through reimbursements.

Regular employment as of November 30, 1955, totaled 212. The Office has no field employees, except part-time or intermittent workers for seasonal use in displaying exhibits at State fairs and similar agricultural activities.

	Estimated Available, <u>1956</u>	Budget Estimate, <u>1957</u>
Appropriated funds	\$1,281,500	\$1,331,000

REVISION OF PROJECT STRUCTURE

The 1957 estimates reflect the reorganization of information work in the Department in the fiscal year 1955 which centralized coordination and production of all visual information work in the Office of Information under an Assistant Director for visual information services. Under the proposed structure the coordination and production of visual information work of the Department is grouped under one project. The radio and television project is included in second project for review and distribution of current agricultural information. A comparison of the revised structure with that reflected in the 1956 budget, is as follows:

<u>Project Structure in the 1956 Budget</u>	<u>Project Structure Proposed in 1957 Department Estimates</u>
1. Publications review and distribution	1. No change
2. Review and distribution of current agricultural information	2. No change
3. Review, preparation and distribution of agricultural information by radio, television, exhibits, and motion pictures.	3. Review, preparation and distribution of visual agricultural information

Salaries and Expenses

Appropriation Act, 1956	\$1,238,000
Proposed supplemental, 1956, for pay act costs	43,500
Advance from "Administrative Expenses, Commodity Credit Corporation"	17,100
Base for 1957	<u>1,298,600</u>
Budget Estimate, 1957:	
Direct appropriation	\$1,331,000
Advance from "Administrative Expenses, Commodity Credit Corporation"	17,100
Increase	<u>1,348,100</u>
	<u>+49,500</u>

SUMMARY OF INCREASES, 1957

For special information materials in connection with the Rural Development Program	+31,400
For a study on the use of publications	+18,100

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increases	1957 (estimated)
1. Publications review and distribution	\$579,184	\$616,917	+\$49,500(1)	\$666,417
2. Review and distribution of current agricultural information ..	448,951	473,979	- -	473,979
3. Review, preparation and distribution of visual agricultural information	192,365	207,704	- -	207,704
Unobligated balance	7,647	- -	- -	- -
Total pay act costs (P.L. 94)	[12,562]	[44,597]	[+2,000]	[46,597]
Total available or estimate	<u>1,228,147</u>	<u>1,298,600</u>	<u>+49,500</u>	<u>1,348,100</u>
Advance from "Administrative expenses, Commodity Credit Corporation"	-16,014	-17,100	- -	-17,100
Activities transferred in the 1956 estimates ..	-16,133	- -	- -	- -
Proposed supplemental due to pay increases ..	- -	-43,500	- -	- -
Total appropriation or estimate	<u>1,196,000</u>	<u>1,238,000</u>	<u>+49,500</u>	<u>1,331,000</u>

INCREASES

(1) The increase of \$49,500 in this item consists of the following:

(a) Increase of \$31,400 to provide special information materials in connection with the Rural Development Program.

Need for Increase. The program of the Department of Agriculture to give special assistance to low-income and part-time farmers involves the preparation and use of a totally new and different type of information material. Because of the needs of the special group to be reached, the standard publications and usual information and educational materials of the Department will not be suitable. There is a definite need for very simple, highly visualized materials for use of county workers who will collaborate in programs for low-income and part-time farmers in the pilot program. Present funds are inadequate to develop these special publications and visual aids material.

Because the Office of Information has specialized creative skills both in publications and in visual aids, these pioneering materials should be developed within this Office and be designed to service all agencies engaged in the program. This Office, as the coordinator of information work in the Department, will concentrate information resources available in Department agencies for use in the pilot program directed toward low-income families. The Office will join with other departments to develop information for the pilot program in such areas as rural development, vocational training, industry development in rural areas, and social security for farmers. Materials created in this pilot program would be duplicated in sufficient quantities for an expanded program at very little increased cost as creative work will largely be accomplished in this pilot activity.

(b) Increase of \$18,100 to provide for a study on the use of publications.

Need for Increase. It is proposed to conduct a study of the effectiveness of Department publications through surveys of distribution, format, readability, etc., and of the use of bulletins. This will include information on the effectiveness of publications by themselves and as working tools in other media. The purpose of this study is to determine how to improve the Department's publications so as to better meet the need of USDA and Land-Grant Colleges in bringing to rural and urban people the results of scientific research and enabling them to put improved practices into effect with the speed necessary to keep up with rapid advances in agriculture and food marketing.

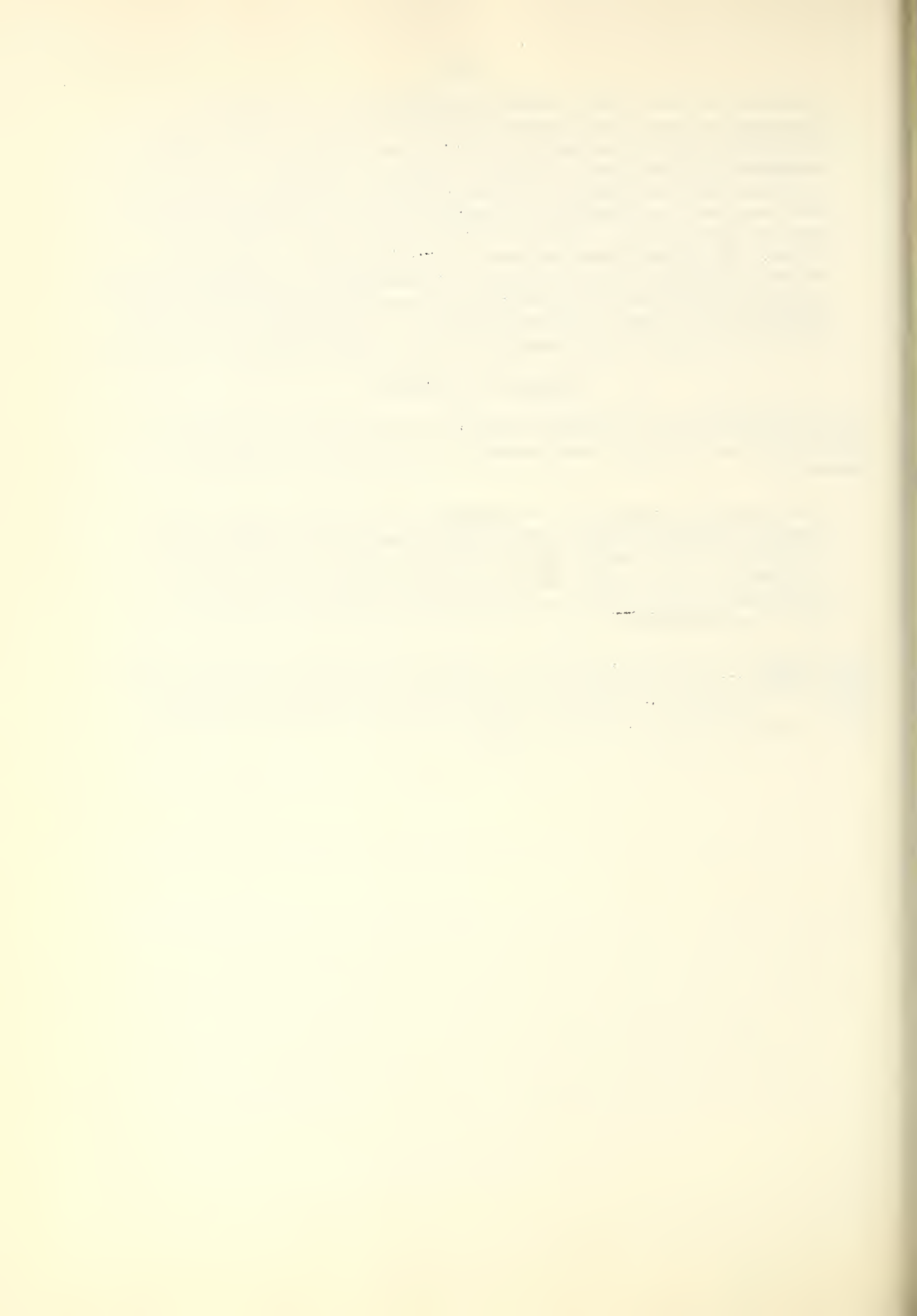
Evidences of the effectiveness and usefulness of Department publications reach the Department more or less by chance. The Department, which has been an international leader in scientific research, has not used scientific methods to evaluate its publications, the need for them, or the use made of them. Some effort has been made successfully in recent years to adjust USDA publications more nearly to the needs of farmers under current conditions. The urgent need for more rapid adoption of published research findings calls for faster modernization of the Department's publication program to be based on an entirely new and comprehensive study of all types of USDA publications. A portion of this work would be conducted in cooperation with selected Land-Grant Colleges.

CHANGE IN LANGUAGE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

For necessary expenses * * * together with such amounts from other appropriations or authorizations as are provided in the schedules in the budget for the current fiscal year for such expenses, which several amounts not exceeding a total of [\$16,014] \$17,100 shall be transferred to and made a part of this appropriation * * *

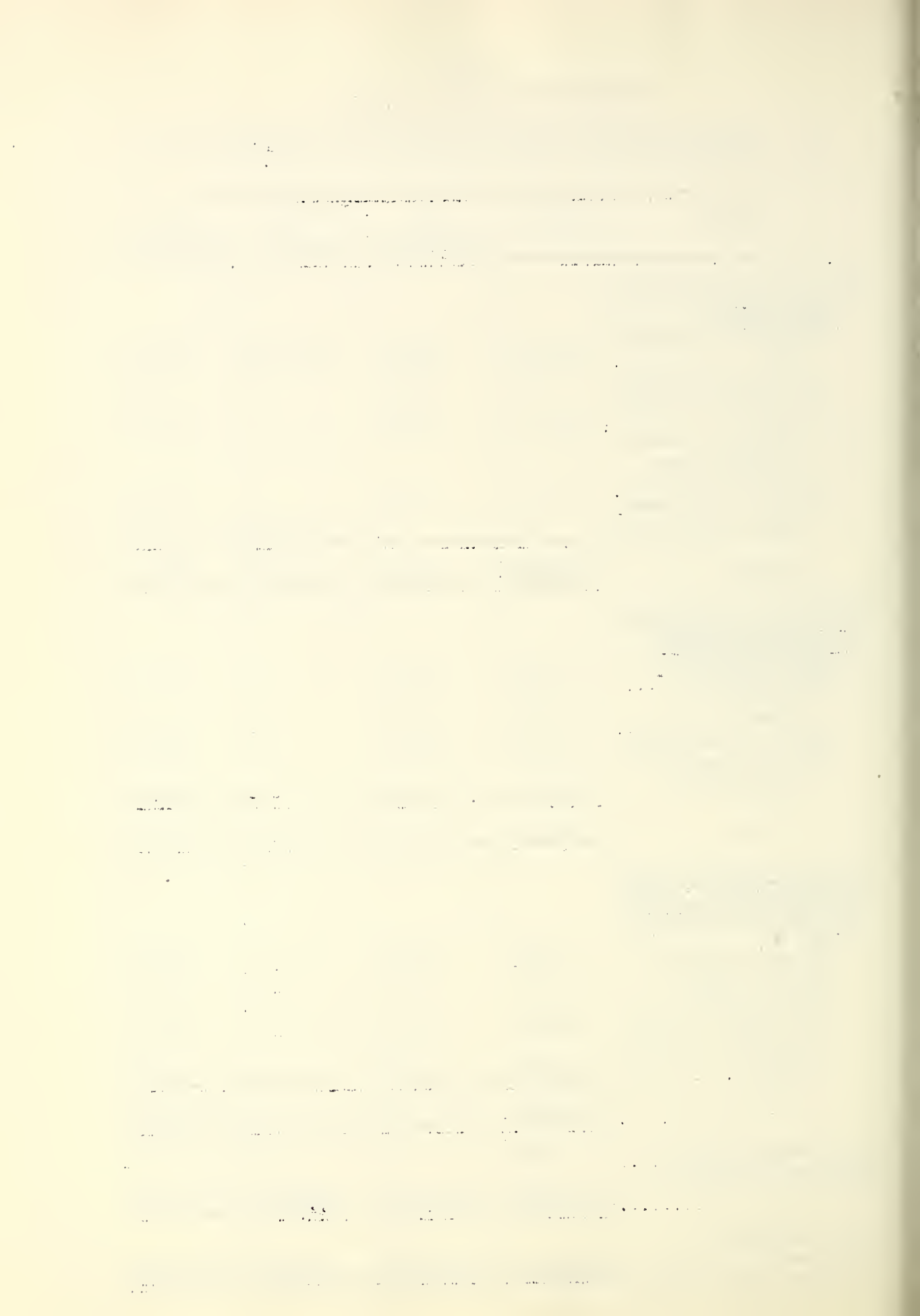
This change in language proposes to increase the amount of the transfer from "Administrative Expenses, Commodity Credit Corporation" from \$16,014 to \$17,100 to cover the cost of pay act increases pursuant to Public Law 94, approved June 28, 1955.



SUPPLEMENTARY PROJECT STATEMENT

(The following schedule reflects a more detailed analysis of the obligations shown in the regular project statement.)

Project	1955	1956 (estimated)	Increase or Decrease	1957 (estimated)
<u>Publications review and distribution:</u>				
Publications management	\$53,531:	\$63,976:	+\$18,100:	\$82,076
Printing procurement:	40,713:	43,669:	- -:	43,669
Inquiries and distribution	222,541:	252,889:	- -:	252,889
Printing of farmers' bulletins, reprints and lists ..	262,399:	256,383:	- -:	256,383
Special Rural Development materials...	- -	- -:	+31,400:	31,400
Total	579,184:	616,917:	+49,500:	666,417
<u>Review and distribution of current agricultural information:</u>				
Press Service	91,355:	96,720:	- -:	96,720
Preparation of reports	46,843:	62,084:	- -:	62,084
Radio and Television:	97,753:	102,175:	- -:	102,175
Printing Agriculture Yearbook	213,000:	213,000:	- -:	213,000
Total	448,951:	473,979:	- -:	473,979
<u>Review, preparation, and distribution of visual agricultural information:</u>				
Art and Graphics ...	9,563:	12,495:	- -:	12,495
Exhibits Service ...	67,080:	72,371:	- -:	72,371
Motion Picture Service	80,306:	82,951:	- -:	82,951
Photographic distribution	35,416:	39,887:	- -:	39,887
Total	192,365:	207,704:	- -:	207,704
Unobligated balance	7,647:	- -:	- -:	- -
Total pay act costs (P. L. 94)	[12,562]:	[44,597]:	[+2,000]:	[46,597]
Total available or estimate	1,228,147:	1,298,600:	+49,500:	1,348,100



STATUS OF PROGRAM

Current Activities: The primary functions of the Office of Information are (1) overall coordination of all information work in the Department, (2) final review of all information materials released to the public, and (3) coordination of agricultural information activities with those of other Federal and State agencies. The Office provides a service to the Department and its constituent agencies designed to assist farmers, organizations and institutions interested in agriculture, and the public at large to obtain useful knowledge pertaining to the Nation's agriculture by providing factual information on results of agricultural research work, trends in agricultural programs and policies, and similar information. The work of the Office in the dissemination of information useful to Agriculture, falls into three major activities: publications, which includes the management of the publications program (both printed or otherwise processed) of the Department--policy review and clearance, printing and distribution; current information, which includes press, radio and television materials, special reports, and the compilation and publication of the Agriculture Yearbook; and visual information, which includes exhibits, still photographs, art and graphics, and motion pictures. The Office cooperates with commercial, industrial, and other nongovernmental organizations and sources relative to information work as required in carrying out the programs of the Department.

SELECTED EXAMPLES OF RECENT PROGRESS

Cooperation with Industry and Land-Grant Colleges Increased. In order that timely and useful agricultural information may reach the farmer, additional emphasis has been given to increasing the cooperation between the Land-Grant Colleges in the states and the Office of Information as well as with the agricultural industry. The reorganization of information work in the Department has given impetus to this policy, and today there are a number of examples of ways in which the services of the Office of Information have become more readily available to the states and to industry. The Office of Information also extends its production facilities to trade associations for the cooperative production and distribution of motion pictures.

Recommendations Developed for Improving Publications Program. Publications improvement continued to be of primary concern. The Office is giving Departmentwide leadership for improving the Department's publication program, including planning, production, distribution and use, and for strengthening the coordination of the Department's program with the publication program of the Land-Grant Colleges. The Department Publications Review Committee, appointed by the Secretary in March 1954, has submitted 55 recommendations for improving and strengthening the Department's publications program, and the Office is taking the lead in putting these proposals into effect. More than 100 separate actions, many of them of a continuing nature, are being taken to put the recommendations into practice. Each agency of the Department has established a publications committee and the Office of Information is represented at each meeting to assist in the committee's work and to provide guidance in carrying out the Department Publications Review Committee's recommendations.

The Office's responsibility for policy clearance and control of "processed" publications has been broadened by Secretary's Memorandum No. 1384. Under this memorandum the Office of Information reviews all requests for processed materials, both information and otherwise, totaling 25,000 or more production units.

Economical Methods of Reproduction Assured. The Office of Information continued to give increased attention to Department publications, both printed and processed, to insure that the most economical methods of reproduction were used. This resulted in many types of materials, previously considered job printing or reproduced by multilithing or mimeographing, being printed at reduced costs on larger presses.

Popular Bulletin Revision Program More Than Half Completed. The publications revision program of bringing the popular bulletins up to date is being continued in cooperation with Department agencies. During 1955, 47 revisions were completed, making a total of 159 bulletins that have been revised of the approximately 300 popular bulletins in need of up-dating when the revision program was started in the fiscal year 1953.

Reprinting Bulletins. Popular bulletins are reprinted to maintain stocks to meet needs as they develop during the year, which resulted in the reprinting of 346 publications (mostly popular) compared to 367 reprinted in fiscal year 1954.

	<u>1954</u>	<u>1955</u>
New publications (Printed).....	277	391
Reprints.....	367	346
Revisions.....	84	59
(Revisions of Popular Publications)...	(61)	(47)
Processed publications.....	98	183

1/ Clearance program began April 1954

Trend in Requests for Publications. Although congressional requests for copies of publications were 6 percent higher than the average for the past 5 years, total requests for copies of publications, general information, and mailing list service in 1955 decreased slightly under 1953, but was well above the 1951 level. The average for these services for the two years, 1954-55 was well above the 20 year average for 1952-1953 and 1950-1951, as shown in the following table:

<u>Fiscal Year</u>	<u>Congressional Requests</u>	<u>Total Requests</u>
1950	485,380	1,199,771
1951	241,191	853,933
1952	376,957	1,021,214
1953	350,130	949,626
1954	506,918	1,140,229
1955	415,518	937,593

These figures do not include the many inquiries for press, radio, television, exhibit, and motion picture information which are handled directly in the respective divisions.

Data on Publications Handled. A comparison of the number of copies of publications handled on order or request to the Office during fiscal years 1954 and 1955 and estimated for 1956 and 1957 is as follows:

	<u>Copies of All Publications</u>			
	<u>1954</u>	<u>1955</u>	<u>1956 Est.</u>	<u>1957 Est.</u>
Total stocks of all publications.....	11,444,756	11,219,042	9,563,602	10,000,000
New publications..	20,883,445	20,698,892	23,436,398	22,000,000
Reprints.....	<u>9,375,292</u>	<u>7,761,596</u>	<u>8,000,000</u>	<u>9,000,000</u>
Total available for distribution.....	41,703,493	39,679,530	41,000,000	41,000,000
Stocks at end of year	<u>11,219,042</u>	<u>9,563,602</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total distribution	<u>30,484,451</u>	<u>30,115,928</u>	<u>31,000,000</u>	<u>31,000,000</u>

Copies of Farmers' Bulletins

Total stocks of all Bulletins.....	8,050,463	7,454,217	6,042,629	6,000,000
New publications..	2,090,000	2,370,000	2,957,371	3,000,000
Reprints.....	<u>7,585,836</u>	<u>6,109,390</u>	<u>7,000,000</u>	<u>7,000,000</u>
Total available for distribution.....	17,726,299	15,933,607	16,000,000	16,000,000
Stocks at end of year	<u>7,454,217</u>	<u>6,042,629</u>	<u>6,000,000</u>	<u>6,000,000</u>
Total distribution.	<u>10,272,082</u>	<u>9,890,978</u>	<u>10,000,000</u>	<u>10,000,000</u>

Printing Management Produced Savings of Nearly \$16,000. Recorded savings totaled \$15,922 in the fiscal year 1955 as a result of technical adjustments in specifications for printing jobs, in addition to savings not recorded but resulting from suggestions made to agencies. Total printing orders in 1955 totaled 3,720 compared with 3,742 in 1954.

Mailing List Data. Mailing list items handled through the central mailing list index in 1955 and estimated for 1956 and 1957 compared with 1954 are shown below:

	<u>F.Y. 1954</u>	<u>F.Y. 1955</u>	<u>F.Y. 1956</u>	<u>F.Y. 1957</u>
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
Names included on index on June 30.....	360,174	381,794	383,794	383,794
Mailing lists in index...	1,158	1,137	1,150	1,150
Mailing lists revised....	232	83	100	100

Workload items:

Additions to lists.....	65,706	59,653	60,000	60,000
Names or addresses changed	28,758	28,429	29,000	30,000
Names or addresses dropped	<u>97,366</u>	<u>38,033</u>	<u>58,000</u>	<u>60,000</u>
Total workload items....	191,831	126,115	147,000	150,000

Press and Special Reports Activities. During the fiscal year ending June 30, 1955, the Press Service issued 3,316 press releases and reports, as compared to 3,330 for the previous year. Particular emphasis in the early part of the year came from a heavy volume of releases in connection with the drought, and later a sharp increase in releases having to do with the disposition of agricultural commodities under Public Law 480.

To make it possible for State extension editors and others to make greater use of USDA information, the Press Service continued to develop a system of "advance" releases -- ten days to two weeks, whenever possible. Also, a weekly news service for use of extension editors was further developed.

Circulation of the Daily Summary of the press releases again increased in the last year. Distribution of the Daily Summary at the end of the fiscal year was 3,400 copies and distribution of the Weekly Summary was 1,400 copies. The Press Service fills most requests for general information with these Summaries.

In addition to issuing releases and reports, the Press Service is engaged much of the time in handling requests from the press and others for special information. Many of these requests, which come by telephone, by mail, and in person, can be handled routinely by supplying releases and reports already issued, but there is a large volume of inquiries for specific information which require individual attention.

The weekly "USDA Farm Paper Letter" is sent to about 370 farm editors requesting this service. This letter reports briefly on new Department activities and progress on those already under way, giving farm magazine editors and newspaper farm editors the highlights of agricultural developments for editorial follow-up and dissemination.

Distribution of the weekly "Food and Home Notes" to women's editors of the press and women's radio and television program directors now totals around 2,200 copies, of which about 410 go to newspapers and magazine editors and 571 to radio and television directors. Requests for this service from television directors have been especially noticeable this year, as have those from free-lance writers and food industries. Copies go to all State extension editors, and to home demonstration leaders and specialists in the States.

The Office of Information continued to take the lead in coordinating and directing the information work on special programs which affected more than one Department agency. Examples included special food promotion campaigns on plentiful foods, such as (1) dairy products, (2) beef and vegetables, (3) canned green beans and corn; and national farm safety week and grain sanitation. The Office coordinated the preparation and distribution of the informational materials for these programs.

Agriculture Yearbooks. The 1955 Yearbook of Agriculture, WATER, was released in November 1955. It covers many phases of water and soil conservation, including the sources of water supplies for farms, cities, and industry; irrigation in general and the irrigation of specific crops; the care of watersheds; drainage; trends in the utilization of our water supplies; floods; forests and water; water in horticulture; water and wildlife; research programs pertaining to water; safe water supplies for homes; and water laws.

The 1956 Yearbook on the subject of animal diseases was outlined, manuscripts have been prepared and edited, and some copy submitted to the Government Printing Office. This book will deal with a wide variety of subjects of value to livestock producers and the entire livestock industry of the Nation. A general section will emphasize the relationship of animal diseases to the welfare of human beings, the animal disease program of the United States, and economic losses from diseases and parasites. Other sections will be concerned with such subjects as the causes of diseases; protection against diseases and parasites; specific diseases affecting cattle, swine, sheep and goats, horses and mules, poultry, fur-bearing and other domesticated animals; the so-called "exotic" diseases, such as rinderpest; animal health and the future. A digest of laws relating to animal diseases also will be included.

The 1954 yearbook, Marketing, released in October 1954, was chosen as one of "Fifty Books of 1954" by a jury of the American Institute of Graphic Arts.

Radio and Television Services Increased. There was some expansion in services during the past year as a result of greater demand from radio and television stations, networks, and Land-Grant Colleges for information, program materials, recordings, and personal appearances. An increase in the number of radio and television stations doing farm or consumer type programs and greater activity by the networks in these fields accounted for the greater part of this increase.

Network Activities. The Department continued its cooperation with the National Broadcasting Company in the production of the "National Farm and Home Hour" and with the American Broadcasting Company in the production of the "American Farm Farmer." In the case of the latter, entire handling of subject matter has been the responsibility of the Department since April 1955, by informal arrangement with the ABC network. This program is heard each Saturday on the coast-to-coast network. In fiscal year 1955, 64 tape recordings from Land-Grant Colleges and 42 from radio farm directors were used on this program, more than double the amount of material from these sources the previous year.

Individual station services included the weekly "Radio Farm Director Letter," providing news and background material to 436 farm program directors and 59 farm advertising and public relations people. This letter has been standardized at 4 full pages each week for greater production efficiency and readability. Major departmental news releases and publications were also sent to these groups.

Recording services to individual stations increased. During the fiscal year 1955, facilities and personnel of the Radio and Television Service were used for making 303 tape recordings, which were broadcast on individual stations or networks. Included in this number are 97 which were made on special request by individual radio farm directors. The others were used on networks or master copies furnished to agencies which made from 14 to 400 duplicates for distribution to like numbers of broadcasting stations.

The weekly Clear Channel Broadcasting Service, "Agriculture USA," which is furnished on tape to 15 large broadcasting stations by the CBS, began in August 1953 and has been continued with a larger percentage of the programs featuring Department people. These programs are arranged by the Radio and Television Service and recorded in the Department's recording studio.

More television farm directors, county agents, and others are requesting the television package service. A new system requiring each recipient to request each weekly package is limiting the mailing list to those individuals who are making full use of the material. Since January 1, 1955, 39 individuals have been dropped from the mailing list and 23 new users have been added with a net total of 135 receiving this service.

Further activity in television included the inauguration in July 1955, of an experimental weekly television program in cooperation with WRC-TV, Washington, D.C., entitled "Teenagers Take Over," aimed at the teenagers who will soon be taking over farm, home, and family management. While this series provided a local outlet for useful USDA information it primarily served as a laboratory to aid Radio and Television Service staff members to become acquainted with improved program techniques.

Visual Activities Centralized. The visual activities of the many agencies of the Department have been centralized in the Office of Information. This includes art and graphics, still photography, exhibits, and motion pictures.

Training Aid in Effective Communications Developed Through Cooperative Effort. An audio-visual exchange package service, containing ideas on visualizing agricultural, home economics, and related subjects by exhibits, film strips, 2" x 2" slides, flannelgraphs, posters, charts, etc., has been designed and is being sent periodically to State Extension Services and others as a teaching aid for audio-visual people in training county agents, Land-Grant College speakers, TV performers, and Department of Agriculture field personnel in more effective transmission of ideas to producers and consumers of American products. This is a joint effort of the Land-Grant Colleges, the American Association of Agricultural College Editors, National Project in Agricultural Communications, the Federal Extension Service, and the Office of Information.

News and General-Type Photographs Partially Centralized. In the centralization of news and general-type photographs of the Department in the Office of Information, more than 175,000 photographs have been received from 11 Department agencies. About 50,000 of these photographs have been reviewed and integrated into a central library. Much is yet to be done to complete the integration of all usable photographs and it is estimated the completed library will consist of approximately 100,000 photographs. There are many photographs in the agencies still to be screened for consolidation in this library.

A revised catalogue of filmstrips was issued in fiscal year 1955. This will be revised as necessary. A library of more than 10,000 color transparencies is being established and a list of these should be available in 1956.

Exhibits Distributed Through Land-Grant Colleges and Extension Services. The Land-Grant Colleges have become the principal channel for getting Department exhibits before the public. During the fiscal year 1955, a long step forward was made in the matter of channeling the showing of exhibits through the Land-Grant Colleges and, particularly, through state and county extension services. During that period 132 field showings (outside of Washington, D.C.) were made in this way, compared to 70 showings made directly by the Department. During the previous fiscal year, the showings were 66 through state channels and 69 for the Department.

Exhibit work brings Department research and other useful information to the public through showings of educational exhibits at meetings, conventions, and fairs.

The total field showings for the year increased from 135 to 202, which is a gain of approximately 50 percent. Showings of exhibits in the patio of the Administration Building were continued with four major exhibitions and several minor exhibitions. A start was made toward creation and installation of a permanent display for the patio which will present the objectives of the Department and its principal lines of work.

Motion Picture Activities. During fiscal year 1955, the Office produced a total of 105 films and television short subjects, compared with 101 produced during the previous year. These films are produced for Department agencies and others at cost on a reimbursable basis and financed under the Working Capital Fund. The production work accomplished in 1955 is as follows:

<u>Type of Production</u>	<u>Films For USDA</u>	<u>Total Film Production</u>
Full-length feature (average 10 to 20 minutes)	13	33
Television packages (average 5 minutes)	25	25
Television shorts (under 3 minutes)	17	47
Total	55	105

Outstanding motion pictures produced during 1955 include:

BLUE TONGUE -- Designed to train veterinarians in recognizing symptoms of this hitherto foreign disease, catarrhal fever of sheep. (Produced in collaboration with the Federal Civil Defense Administration and the California State Department of Agriculture.)

THE GOOD EGG -- Aimed at the consumer and designed to encourage increased consumption of eggs. (Produced in cooperation with the Poultry and Egg National Board.)

GRASSHOPPERS CAN BE CONTROLLED -- Demonstrates how damage by grasshoppers can be minimized by individual and community action. (Revision of YOUR ENEMY -- GRASSHOPPER, released April 1951.)

MEN WOMEN AND CHILDREN -- How everyday, unsafe habits of people can cause forest fires through negligence and thoughtlessness. (Produced in cooperation with the State Foresters of the Northeastern States.)

RINDERPEST -- Designed for veterinarian training in recognizing this foreign disease of cattle, sheep, and goats. (Produced in collaboration with the Federal Civil Defense Administration and the Department of Defense.)

SCRAPIE -- Illustrates to the veterinarian symptoms, diagnosis, and ways of combatting this obscure disease of sheep. (Produced in collaboration with the Federal Civil Defense Administration and the California State Department of Agriculture.)

THE SMALL SAWMILL -- Designed to stimulate interest of owners and operators in more efficient production and better quality lumber.

During fiscal year 1955, a 16mm film library was established in which unused film scenes or discarded "takes" are catalogued, filed, and made available to Department agencies and others at cost to expedite or lower the cost of new film productions. Under this procedure the Land-Grant Colleges have access to stock footage on agricultural subjects which they may use to advantage in making their own productions. Catalogs of these stock footages are prepared and sent to other producers of agricultural films as fast as they are completed.

Distribution of released prints of USDA motion pictures continued to be handled by the 74 Cooperating Film Libraries, primarily located at the Land-Grant Colleges and universities. Although a number of prints of both new and old pictures were made available by the sponsoring agencies and the Office of Information for distribution by the libraries, the year brought forth an increasing number of training films being circulated directly from the Department to the user in the field. The number of bookings made to television stations continued to climb higher.

The Motion Picture Service of the Office of Information continued to provide services to Department agencies by keeping informed on all agricultural films produced by commercial producers and by arranging screenings for interested subject matter specialists of the Department. A complete catalogue of all agricultural films produced in the United States and available for use in agricultural information work is being compiled as a practical approach to information problems handled in this Department by the various agencies.

The third annual film workshop, sponsored jointly by the Office of Information and the Federal Extension Service, was conducted in January 1955. Started in 1953 as an experiment to fill a gap in the development of qualified film makers in the Land-Grant Colleges and the Federal Government, it has become an annual event of educational significance and is aimed at strengthening the communication ties between the states and the United States Department of Agriculture, and to help improve the production and use of visual materials in agricultural information. Twenty-eight states and four foreign countries were represented at the 1955 workshop.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955, were actually received or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	: Obligations, 1955	: Estimated obligations, 1956	: Estimated obligations, 1957
Allocation from International	:	:	:
Cooperation Administration:	:	:	:
Training services and	:	:	:
technical consultation	\$13,256:	\$13,000:	- -
Trust Funds:	:	:	:
Miscellaneous Contributed	:	:	:
Funds, Department of	:	:	:
Agriculture:	:	:	:
Funds deposited by coopera-	:	:	:
tors for preparation and	:	:	:
distribution of exhibits	:	:	:
and motion pictures	11,257:	16,000:	\$16,000
Obligations under Reimburse-	:	:	:
ments From Governmental and	:	:	:
Other Sources:	:	:	:
Salaries and expenses:	:	:	:
For photographic reproduc-	:	:	:
tions and motion picture	:	:	:
services	29,659:	- -:	- -
TOTAL, OBLIGATIONS UNDER	:	:	:
ALLOTMENTS AND OTHER FUNDS	54,172:	29,000:	16,000

LIBRARY

Purpose Statement

Function: The Library, pursuant to the Department's Organic Act of 1862, and under delegation from the Secretary, "procures and preserves all information concerning agriculture which can be obtained by means of books...". Under the Act establishing the Department, the Library also serves as the National Agricultural Library.

Activities: The Library makes available to the research workers of the Department and the State agricultural colleges, as well as to the general public, the agricultural knowledge of the world that is contained in published literature. This reduces duplication of effort and wasted time by enabling scientists and administrators to know what has been done previously in that field. In pursuance of the Organic Act, the Library collects current and historical published material and organizes it for maximum service to the Department and to the public through reference services, loans of publications, bibliographical services, and photo-reproductions of library material. It issues a monthly Bibliography of Agriculture in which is listed the agricultural literature of the world. The book collection approximates 1,050,000 volumes.

Organization: The Library serves as a staff office of the Secretary and in addition has operating responsibilities in the field of library and bibliographical services. There are six specialized field branches serving major field research installations. In addition five State agencies provide library services to Department employees in designated geographical areas under cooperative agreements.

On November 30, 1955, the Library had 152 employees of whom 135 were in Washington and 17 in the field.

	Estimated Available, 1956	Budget Estimate, 1957
Appropriated funds	\$700,150	\$773,000

REVISION OF PROJECT STRUCTURE

The following proposed change would consolidate the two existing projects into a single project entitled "Agricultural library services" to eliminate the need for excessive record-keeping and time reporting. The distinction between the two existing activities is not susceptible to complete objective determination and it is very difficult to develop adequate accounting support for the distribution of charges to the separate projects.

The proposed revision of project structure is as follows:

<u>Present</u>	<u>Proposed</u>
General Agricultural Library Services	Agricultural Library Services
Specialized services to Research	

The present projects are retained as sub-projects in the justifications and the distribution of amounts obligated therefor are on an estimated basis rather than obtained from the accounting records.



Salaries and Expenses

Appropriation Act, 1956	\$659,950
Proposed supplemental, 1956 for pay act costs	40,200
Base for 1957	<u>700,150</u>
Budget Estimate, 1957	<u>773,000</u>
Increase	<u><u>+72,850</u></u>

SUMMARY OF INCREASES, 1957

To provide for a publications exchange center	+9,425
To accelerate library services in connection with the research programs of the Department	+52,425
To provide for the preservation of periodical material	+11,000

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increases	1957 (estimated)
1. Agricultural library services:				
a. General library services	\$525,860:	\$463,150:	+\$59,025:	\$522,175
b. Specialized services to research	141,381:	237,000:	+13,825:	250,825
Unobligated balance	2,709:	- -:	- -:	- -
Total pay act costs (P.L. 94) [11,823]:	[11,823]:	[40,200]:	[+2,920]:	[43,120]
Total available or estimate:	<u>669,950:</u>	<u>700,150:</u>	<u>+72,850(1):</u>	<u>773,000</u>
Transferred from "Agricultural adjustment programs, Commodity Stabilization Service"	-10,000:	- -:		
Proposed supplemental due to pay increases	- -:	-40,200:		
Total appropriation or estimate	<u>659,950:</u>	<u>659,950:</u>		

INCREASES

(1) An increase of \$72,850 composed of:

(a) An increase of \$9,425 to provide for a publications exchange center.

Need for Increase: For the past ten years, the Land Grant College publication offices in both the Experiment stations and the Extension services have been trying to develop better controls and methods in the distribution of printed materials to foreign countries. Close cooperation has been developed with the Department of Agriculture Library in an effort to provide a central source of information, to increase economy, and to develop a greater flow of exchange data to this country from abroad. At the request of the Association of Land-Grant Colleges and Universities and through financing provided by the International

Cooperation Administration, a publications exchange center activity was set up at the U. S. Department of Agriculture Library in 1954.

The first objective of the center was to survey the foreign mailing lists of individuals and institutions receiving U. S. publications in order to determine their use throughout the receiving country. A selection was then made of the foreign institutions which, by reason of location and facilities, would provide the greatest national use of U. S. publications. These surveys indicated the possibility of greatly reducing the number of publications sent to foreign countries. They also assisted in determining new foreign publications which would be available to the United States by exchange. The surveys were financed by the International Cooperation Administration for the fiscal years 1954, 1955, and 1956 and were made by Land Grant College experts employed temporarily for this purpose. Surveys have now been completed in Latin America and the Near East. The survey for the Far East will be completed by the end of the fiscal year 1956. The USDA Library was requested, upon completion of these surveys, to maintain the exchange center services which would provide one central point at which the Department, Land-Grant Colleges and foreign depositories could obtain information concerning the exchange of published material in the field of agriculture. This activity will provide for the effective distribution and exchange of basic informational and technical agricultural publications and thus eliminate much duplication and unprofitable distribution of domestic publications.

Plan of Work: The Department Library will serve as a clearing house information center for the exchanges with foreign countries of official agricultural publications of the U. S. Department of Agriculture and the Land-Grant Colleges, including State Experiment Stations and Extension Services, keeping these institutions informed of opportunities for exchanges, and providing a clearing house for foreign requests for the exchange of publications. The Library will also acquire and disseminate information about libraries in foreign countries which might best serve as depositories for official agricultural publications.

(b) An increase of \$52,425 to accelerate library services in connection with the research programs of the Department.

Need for Increase: The Library enables scientists, research workers and technicians to expedite research activities by providing them with a complete source of information on previous research. This eliminates the duplication of previous work, expedites research activities and provides savings in time, personnel and equipment. The expanded research programs of the Department require expansion of the Library's activities. Specifically, research requires additional publications in old and new fields, compilation of bibliographies, reference and lending services, and related items such as preparing published materials for use, printing and reproduction costs, and other contractual services. Such additional

library services will result in the savings covering many times the cost by reducing the time required of the research worker in arriving at conclusions in his field of study.

Plan of Work: The Library plans to provide the research programs of the Department with increased bibliographical, reference and lending services. This can be accomplished by acquiring published materials and preparing them for use and by providing bibliographical, reference and lending services upon request. The cooperating Land-Grant College libraries now providing library services to Department workers under cooperative agreements will require additional publications to meet the needs of USDA field research workers.

(c) An increase of \$11,000 to provide for the preservation of periodical material.

Need for Increase: The Organic Act of the Department provides that -- "The Secretary shall procure and preserve all information concerning agriculture which he can obtain by means of books, etc. . . ." Although the Library acquires most of the important periodicals on agriculture published throughout the world, only those of permanent value and usefulness are bound. Even on this highly selective basis it has not been possible for the Department Library to carry out a minimum binding program. Research in agriculture, like that in other sciences, is in great measure dependent upon periodicals as a source of information. Unbound periodicals deteriorate more rapidly and are more susceptible to loss when current binding needs are not met. The replacement of damaged or lost issues of a periodical is often difficult and expensive. A recent survey of unbound materials shows a backlog of 189,000 volumes. This backlog continues to increase each year. The binding of periodicals not only protects but increases the efficiency of shelving, lending and providing reference services. Several of the more important older journals have deteriorated to such an extent that binding would be of little value. Microfilming these journals will be required.

Plan of Work: It is planned to bind an additional 4,500 volumes each year which will reduce the backlog of unbound material. In addition, it is planned to microfilm the more important older journals which cannot be bound.



STATUS OF PROGRAM

Current Activities: The following are typical of the major lines of work of the Library.

1. Collecting American and foreign publications in agriculture and allied fields through regular purchases, gifts, extensive exchange arrangements, both domestic and foreign, and cooperative acquisition agreements with the Library of Congress, Armed Forces Medical Library, and other research libraries.
2. Making the resources of this comprehensive Library known to the American public through the cataloging and classifying of the publications received, through the preparation and distribution of special lists and bibliographies and the Bibliography of Agriculture, covering the entire range of the world's agricultural literature.
3. Providing reference service to people who come into the Library, and by telephone, and by mail. Users of the Library include Department of Agriculture staff, representatives of other Government and private research agencies, colleges, universities, and farmers, and other private citizens. Publications are loaned directly to Department personnel and to others through inter-library loans. The collection is maintained and preserved.
4. Facilitating the Department's program by making available published materials to the man-on-the-job, wherever he may be stationed, through field branches and cooperating State agencies which serve as outlets for the main Library and as reservoirs of published information near the field workers. Such library services to the field staff reduce the need for stocking large numbers of books in field offices.

Selected Examples of Recent Progress:

1. Status of Acquisition Program. The Department of Agriculture Library is the one place in the nation where most of the world's agricultural publications are available. A continuing intensive acquisition program must be carried on to provide the major agricultural publications required by the Department's workers, collaborators, farmers, industrial users, and the public generally. The collection still lacks a large amount of essential agricultural information published in foreign areas, as well as many important domestic publications. The gift and exchange program remained at approximately the same level as in 1954 and accounted for approximately 70% of the total acquisitions.

Below is a tabulation of major statistics for the past five years and estimates for 1956 and 1957.

Year	:	:	:Number of publications received from all :sources (gifts, exchanges and purchases)			
	:	Obligations :	Volumes :	: Number of periodical issues		
	:	for :	added to :	:		
	:	publications:	collection :	Received :	: Retained	
1951	:	\$ 53,342 :	28,921 :	498,013 :	268,655	
1952	:	44,747 :	28,646 :	542,240 :	272,770	
1953	:	44,468 :	37,020 :	611,279 <u>a/</u> :	284,743	
1954	:	47,839 :	45,461 :	594,646 :	274,695	
1955	:	45,366 :	35,451 <u>b/</u> :	598,389 :	272,507	
1956 Est.	:	46,000 :	45,500 :	603,000 :	275,000	
1957 Est.	:	57,050 :	47,000 :	608,000 :	300,000	

a/ The increase in number of periodical issues received is attributed largely to materials received from various mid-west colleges which were mostly duplicates of serials already in the Library collection.

b/ The decrease in the volumes added to the collection is due primarily to an increase in backlog of material not processed, reduction in the number of volumes bound, and a decrease in the branches' inventories during the year.

2. Reference and Lending Services Increased Slightly. The total number of publications loaned and the number of reference questions answered were slightly higher in 1955 than in 1954. The increase in the number of publications loaned was largely in the Washington library which showed a 3.3% increase. The total reference questions answered showed an increase of 1.4% in 1955 over 1954.

Below is a tabulation of the volume of publications circulated, loaned and photocopying services rendered and reference questions answered in 1954 and 1955.

	:	1954	:	1955	:	Percent of increase (+) or decrease (-)
Volume of circulations, loans	:		:		:	
and photocopying:	:		:		:	
Washington.....	:	435,327	:	449,647	:	+ 3.3
Field.....	:	775,699	:	764,258	:	- 4.1
Sub-total.....	:	1,211,026	:	1,213,905	:	- .2
Reproductions.....	:	47,842	:	48,187	:	+ .7
Totals.....	:	1,258,904	:	1,262,092	:	+ .3
Reference questions answered:	:		:		:	
Washington.....	:	122,371	:	124,370	:	+ 1.6
Field.....	:	39,306	:	39,561	:	+ .6
Totals.....	:	161,677	:	163,931	:	+ 1.4

3. Preparing Published Material for Use. Published material is classified, cataloged and arranged in such manner as to provide ready access to the users of the Library. Thoroughness and rapidity of preparing published material for use as it is received provides valuable up-to-date information to the Department workers. During 1955, 15,066 titles were cataloged, and in addition, 272,507 pieces of serial publications were recorded.
4. The monthly Bibliography of Agriculture contained 5.3% more items in 1955 than in 1954. There were 100,698 reference items included during the year. The number of items listed in the Bibliography of Agriculture during the past five years is indicated below:

<u>Year</u>	<u>Number of Reference Items</u>
1951	85,790
1952	95,962
1953	99,993
1954	95,670
1955	100,698

5. There were 36 bibliographies, indexes and lists prepared on specialized subjects, including Library List No. 62, "Low-income Farm People" and Library List No. 52, supplement 1, "Economics of Forestry".
6. A waiver was again issued by the Public Printer permitting the binding work to be performed under contract to commercial binders. Under this authorization a total of 5,893 volumes were bound, of which 893 volumes were from the various field libraries. There is an estimated backlog of 189,000 volumes which should be bound.
7. The photocopying section completed 48,187 separate orders consisting of 524,947 pages of microfilm and photoprint. Of this amount, 14,207 orders totaling 170,866 pages were provided free of charge to the Department's agencies. For the remaining orders, \$42,034 was received in reimbursement of the cost of operations.
8. The cooperative agreements with the various State agencies to provide general library services to the Department continued to be mutually beneficial.

PRINCIPAL OVERALL VOLUME OF WORK STATISTICS
 Actual Fiscal Years 1951-1955
 Estimated 1956-1957

	ACTUAL					ESTIMATED		
	1951	1952	1953	1954	1955	1956	1957	
Titles cataloged	11,191:	12,701:	16,809:	16,295:	15,066:	16,000:	18,000	
New cards added to library catalog.....	66,117:	77,556:	87,407:	84,413:	71,518:	75,000:	80,000	367
Serial publications entered.....	268,655:	272,770:	284,743:	274,695:	272,507:	275,000:	300,000	
Loans of books or periodicals and reproductions supplied.....	1,441,552:	1,370,646:	1,322,234:	1,258,904:	1,262,092:	1,260,000:	1,290,000	
Reference questions answered.....	180,434:	170,842:	169,355:	161,677:	163,931:	164,000:	180,000	
Items indexed in Bibliography of Agriculture.....	85,790:	95,962:	99,993:	95,670:	100,698:	100,000:	100,000	
Volumes bound.....	10,724:	9,508:	6,068:	9,264:	5,893:	6,000:	10,500	
Obligations for books, periodicals, newspapers, and other publications.....	\$ 53,342:	\$ 44,747:	\$ 44,468:	\$ 47,839:	\$ 45,366:	\$ 46,000:	\$ 57,050	

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1955, were actually received or programmed for 1956 or 1957. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	Obligations, 1955	Estimated Obligations, 1956	Estimated Obligations, 1957
Allocations and Working Funds (Advances from other agencies):			
Agricultural Research Service - for special bibliographical services on bee culture	\$3,215	\$3,540	\$3,805
International Cooperation Administration -			
For expenses in connection with:			
training activities and technical assistance	10,000	10,000	- -
For maintaining a publications exchange center to facilitate the flow of Land-Grant college publications to and from recognized depositories in foreign countries	19,529	17,300	- -
Total, International Cooperation Administration	29,529	27,300	- -
Total, allocations and working funds	32,744	30,840	3,805
Obligations Under Reimbursements from Governmental and Other Sources:			
Salaries and Expenses:			
For bibliographies, photographic reproductions and other special library services	102,000	103,460	51,495
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	134,744	134,300	55,300

COMMODITY STABILIZATION SERVICE

COMMODITY CREDIT CORPORATION

Purpose Statement

Purpose - The Commodity Credit Corporation engages in buying, selling, lending, and other activities with respect to agricultural commodities, their products, food, feeds, and fibers, for the purpose of stabilizing, supporting, and protecting farm income and prices; assisting in the maintenance of balanced and adequate supplies of such commodities; and facilitating their orderly distribution. The Corporation also makes available materials and facilities required in connection with the production and marketing of such commodities.

Origin - The Commodity Credit Corporation was organized October 17, 1933, under the laws of the State of Delaware, as an agency of the United States. From October 17, 1933 to July 1, 1939 the Corporation was managed and operated in close affiliation with the Reconstruction Finance Corporation. On July 1, 1939 it was transferred to the Department of Agriculture by the President's Reorganization Plan I. Under the Commodity Credit Corporation Charter Act of June 29, 1948 (Public Law 806, 80th Congress), effective July 1, 1948, it was established as an agency and instrumentality of the United States under a permanent Federal charter. The charter was amended by Public Law 85, 81st Congress, approved June 7, 1949.

Management - The Corporation is managed by a board of directors, subject to the general supervision and direction of the Secretary of Agriculture, who is, ex officio, a director and chairman of the board. The board consists of the Secretary of Agriculture and six other members appointed by the President and confirmed by the Senate. In addition, the Corporation has a bipartisan advisory board of five members appointed by the President to survey the general policies of the Corporation and advise the Secretary with respect thereto.

The Corporation may, with the consent of the agency concerned, utilize facilities of any other agency of the Federal Government. The Corporation, under this authority, makes extensive use of the personnel and facilities of the Commodity Stabilization Service and the Agricultural Stabilization and Conservation State and County Committees in carrying out Corporation activities. The Corporation also utilizes to the fullest extent practicable the usual and customary channels, facilities, and arrangements of trade and commerce in the conduct of its business. In its lending activities the Corporation uses local banks, cooperatives, and other private lending agencies. Commercial storage facilities are used to a great extent in the storage of loan collateral and in the storage of stocks acquired by the Corporation.

Operations - Operations in the budget are conducted under five types of programs: (1) price support, (2) supply and foreign purchase, (3) storage facilities, (4) commodity export, and (5) special activities.

1. Price Support Program - Price-support operations are carried out under the Corporation's charter powers, in conformity with the Agricultural Act of 1949 (63 Stat. 1051), the Agricultural Act of 1954 (68 Stat. 897), which includes the National Wool Act of 1954, and with respect to certain types of tobacco, in conformity with the Act of July 28, 1945 (59 Stat. 506). Under the Agricultural Act of 1949, price support is mandatory for six basic commodities--corn, cotton, wheat, rice, peanuts, and tobacco--and specific nonbasic commodities, namely tung nuts, honey, milk, butterfat, and the products of milk and butterfat. Price support for wool and mohair is mandatory under the National Wool Act of 1954. Price support for other nonbasic agricultural commodities is discretionary. This program may also include operations to remove and dispose of or aid in the removal or disposition of surplus agricultural commodities for the purpose of stabilizing prices at levels not in excess of permissible price support levels.

Price support is made available through loans, purchase agreements, purchases, and other operations, and, in the case of wool and mohair, through incentive payments based on marketings. The producer's commodities serve as collateral for price-support loans. With limited exceptions, price-support loans are "non-recourse" and the Corporation looks only to the pledged or mortgaged collateral for satisfaction of the loan. Purchase agreements generally are available during the same period that loans are available. By signing a purchase agreement, a producer receives an option to sell to the Corporation any quantity of the commodity which he may elect within the maximum specified in the agreement.

Disposition of commodities acquired by the Corporation in its price-support operations is made in compliance with sections 202, 407, and 416 of the Agricultural Act of 1949, and other applicable legislation, particularly the Agricultural Trade Development and Assistance Act of 1954 (68 Stat. 454), and title I of the Agricultural Act of 1954 (68 Stat. 897).

In order to expand the domestic market for fluid milk, as one means of reducing the volume of dairy products being acquired by the Corporation, a special program was authorized by section 201 of the Agricultural Act of 1949, as amended. This authorization provided that beginning September 1, 1954, and ending June 30, 1956, not to exceed \$50,000,000 annually of funds of the Commodity Credit Corporation shall be used to increase the consumption of fluid milk by children in nonprofit schools of high-school grade and under.

As a further means of increasing the utilization of dairy products, section 202 of the Agricultural Act of 1949, as amended, authorized a special program to operate through December 31, 1956, under which the Corporation is donating butter, cheese, and dried milk to Veterans' Administration and the armed services upon certification by them that the usual quantities of dairy products have been purchased in the normal channels of trade. In addition, the Corporation is reimbursing these agencies at the rate of \$4.15 per cwt. for purchases of fluid milk made in addition to their usual purchases.

Section 407 of the Agricultural Act of 1949 authorized the Corporation to make available farm products for use in distress areas and in connection with any major disaster determined by the President to warrant assistance under Public Law 875. Under this authority the Corporation has donated stocks of corn, oats, barley and grain sorghums in a manner which enabled stockmen and farmers in drought stricken areas to buy live-stock feed at reduced prices.

2. Supply and Foreign Purchase Program - This program is carried out under the authority contained in the Corporation's charter, particularly sections 5 (b) and (c) thereof. The Corporation procures foods, agricultural commodities, their products, and related materials to supply the requirements of Government agencies, foreign governments, and relief and rehabilitation agencies and to meet domestic requirements. Foods, agricultural commodities, and their products are procured or aid is given in their procurement to facilitate distribution or to meet anticipated requirements during periods of short supply. The Corporation may also, through purchases, loans, or other means, make available materials and facilities required in connection with the production and marketing of agricultural commodities.

Operations involving procurement for other Government agencies are conducted in accordance with procedures and policies reasonably calculated to assure compliance with section 4 of the act of July 16, 1943 (15 U. S. C. 713a-9), which requires that the Corporation be fully reimbursed for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to or on behalf of any other Government agency from the appropriate funds of such agency. Operations not subject to section 4 of such act may involve losses if such are necessary to the accomplishment of the objects of the particular operation.

3. Storage Facilities Program - This program is carried out under the authority contained in the Corporation's charter, particularly sections 4 (h), 4 (m), and 5 (a). The Corporation (a) purchases and maintains granaries and equipment for care and storage of grain owned or controlled by the Corporation; (b) makes loans for the construction or expansion of farm storage facilities; (c) provides storage-use guaranties to encourage the construction of commercial storage facilities; and (d) undertakes other operations necessary to provide storage adequate to carry out the Corporation's programs.

4. Commodity Export Program - The Corporation stimulates the export of agricultural commodities and products through sales, barter, payments and other operations. This program is carried out under the authority contained in the Corporation's charter, particularly sections 5 (d) and 5 (f), sections 407 and 416 of the Agricultural Act of 1949, the International Wheat Agreement Act of 1949, the Agricultural Trade Development and Assistance Act of 1954, and Title I of the Agricultural Act of 1954. In general, transactions involving foreign currencies are conducted pursuant to the Agricultural Trade Development and Assistance Act of 1954. However, other such transactions may be conducted under the charter authority.

Current obligations for operations under the International Wheat Agreement and Title I of the Agricultural Trade Development and Assistance Act of 1954, which operations are described in the estimates under the heading "Reimbursements to Commodity Credit Corporation", are paid by the Corporation. Appropriations have been authorized to reimburse the Corporation for its costs incident to these programs and pending such reimbursements the net costs of these programs are reflected in the records of the Corporation as accounts receivable.

In addition to exports under the International Wheat Agreement, wheat is being offered to the export trade for export as wheat or flour at competitive prices below domestic price but not below the applicable International Wheat Agreement price.

To the extent that operations under the commodity export program involve the disposal of price support commodities held in Commodity Credit Corporation's inventories, such disposals are for accounting purposes treated as price support program disposals.

5. Special Activities - These are miscellaneous activities carried out under authority of section 5 (g) of the Corporation's charter and specific statutory authorizations with respect thereto which are currently in effect or which may be subsequently enacted.

Among the recently completed and current activities of this nature are loans to the Secretary of Agriculture in connection with the Agricultural Conservation Program as authorized by section 391 (c) of the Agricultural Adjustment Act of 1938, as amended (7 U. S. C. 1391); advances to the Agricultural Research Service for eradicating foot-and-mouth disease and other contagious diseases of animals and poultry as authorized by annual Department of Agriculture Appropriation Acts and for accelerating the eradication of brucellosis as authorized by section 204 of the Agricultural Act of 1954; advances to the Agricultural Marketing Service for grading tobacco and classing cotton as authorized by the acts of June 29, 1949, and August 31, 1951 (7 U. S. C. 440, 414a); the transfer of wheat to Pakistan as authorized by the act of June 25, 1953 (67 Stat. 80); the furnishing of feed stocks for use in the 1953 drought emergency feed program as authorized by the act of September 30, 1950 (42 U. S. C. 1855), the act of July 14, 1953 (67 Stat. 150) and a special directive of the President dated November 16, 1953; the furnishing of stock of agricultural commodities to the President for emergency assistance to friendly peoples in meeting famine or other urgent relief requirements as authorized by the act of August 7, 1953 (67 Stat. 476) and Title II of the Agricultural Trade Development and Assistance Act; furnishing stocks of hay and pasture seeds to certain Federal land-holding agencies as authorized by the act of July 26, 1954 (68 Stat. 529); and financing activities authorized by the National Wool Act of 1954 (7 U. S. C. 1781-1787).

A more detailed description of the operations under these programs may be found in the explanatory notes under appropriations pertaining to the Agricultural Conservation Program Service, the Agricultural Research Service, the Agricultural Marketing Service and the Commodity Stabilization Service, respectively.

Current obligations for these activities are paid by the Corporation and, except for completed 1953 drought emergency feed program, appropriations have been authorized to reimburse the Corporation for its costs. An appropriation to reimburse the Corporation for its costs in connection with the emergency feed program was contained in the 1956 annual appropriation act. Pending such reimbursements the net costs of these programs are reflected in the records of the Corporation as accounts receivable.

Financing - The Corporation has an authorized capital stock of \$100,000,000, held by the United States, and authority to borrow up to \$12,000,000,000.

The programs of the Commodity Credit Corporation are financed by capital stock, borrowings from the Treasury, guarantees to purchase loans held by lending agencies, appropriations for restoration of capital impairment and receipts from operations.

	Estimated Available, 1956	Budget Estimate, 1957
Restoration of capital impairment	\$1,634,659	\$929,287,178
Administrative expense limitation	a/ 30,964,000	31,000,000

a/ Includes proposed supplemental authorization of \$4,964,000.

COMMODITY CREDIT CORPORATION

Basic Assumptions

The Corporation's budget estimates for 1956 and 1957 are based on the general assumptions (a) that employment, production, and national income will rise moderately both in 1956 and 1957 from the 1955 level; (b) that prices will change little, on the average, from the present level; (c) that developments in international relations will not be such as to affect Government civilian programs generally; (d) that exports of agricultural products will be higher than at present; (e) that yields will be in line with recent averages; and (f) that acreage allotments and marketing quotas will be in effect for the 1956 crops of peanuts, rice, certain kinds of tobacco, wheat and cotton, and acreage allotments will be in effect for the 1956 crop of corn in accordance with existing legislation.

In considering these estimates, it should be recognized that it is difficult to estimate requirements for the year ending June 30, 1957. They are dependent upon weather conditions, volume of agricultural production in this country and abroad, economic conditions generally, feed needs in occupied areas and other foreign countries, availability of dollar exchange, and other complex and unpredictable factors.

These estimates were also formulated on the basis of legislation existing prior to the convening of this Session of Congress. They do not, therefore, reflect the effects that proposals contained in the President's Farm Message of January 9, 1956 would have upon the operations, obligations and expenditures of the Commodity Credit Corporation.

Price Support Operations

General Outlook - On the basis of the above assumptions and taking into consideration estimated supply and utilization factors which were calculated individually for each commodity, the estimates for the fiscal years 1956 and 1957 reflect the continuation of a heavy overall volume of price support operations. They indicate in the aggregate, however, that if dispositions materialize as currently estimated, the build-up of investment in price support may reach its peak during the fiscal year 1956 at which time a downward trend may be anticipated.

Loans - The Budget Estimates contemplate that loans made will increase from \$2.4 billion in 1955 to 2.8 billion in 1956 and decrease to 1.7 billion in 1957. The estimated increase for 1956 is due principally to increased cotton loans on the 1955 crop, offset in part by fewer loans on the 1955 crop of wheat. The decrease in loans made estimated for 1957 reflects primarily fewer cotton loans coupled with relatively smaller decreases in loans on wheat, rice and tobacco resulting from both acreage reductions on cotton, rice and tobacco, and more normal yields per acre for all crops.

A comparison of the estimated loan activity for each of fiscal years 1956 and 1957 with the actual volume in 1955 is summarized as follows:

<u>Type of Activity</u>	Actual F. Y. 1955	Estimated F. Y. 1956	Estimated F. Y. 1957
	(In million dollars)		
Loans made.....	\$2,357	\$2,772	\$1,684
Repayments.....	473	577	635
Loan collateral forfeited.....	2,123	2,384	1,836
Loans outstanding, end of year.	2,098	1,909	1,122

Inventories- The Budget Estimates contemplate that the value of price support inventories as of June 30, 1956 will increase substantially over that as of June 30, 1955 and that a significantly smaller increase over the June 30, 1956 level will occur by June 30, 1957. The major increases in inventory expected to take place during each of the fiscal years 1956 and 1957 are due to acquisitions of corn and cotton. A comparison of the estimated inventory activity for each of the fiscal years 1956 and 1957 with the actual volume for 1955 is summarized as follows:

<u>Type of Activity</u>	Actual F. Y. 1955	Estimated F. Y. 1956	Estimated F. Y. 1957
	(In million dollars)		
Acquisitions and carrying charges.	\$3,418	\$3,697	\$3,089
Dispositions.....	2,115	2,572	2,710
Inventory at end of year.....	4,971	6,096	6,475

The value of the estimated inventory both as of June 30, 1956, and June 30, 1957, includes the "Commodity set-aside" as provided for in Title I of the Agricultural Act of 1954.

Investment in Price Support - As a result of the loan and inventory activity shown above, it is estimated that the investment in price support - that is, inventories and loans outstanding - as of June 30, 1956 and June 30, 1957, will be about \$8.0 billion and \$7.6 billion, respectively, compared with \$7.1 billion as of June 30, 1955.

Commodity Program Summaries - The following summaries describe the price support and other operations which the Corporation anticipates will be required during each of the fiscal years 1956 and 1957 and the basis for such estimates. It should be noted that any variations from the conditions assumed may result in changes in the volume and character of the Corporation's operations, thereby necessitating changes in the program and administrative expense estimates.

PRICE SUPPORT PROGRAM, Basic Commodities

Corn

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955 crop corn at not more than 90 percent nor less than $82\frac{1}{2}$ percent of parity as required by law.

Eligibility: Eligible commodity is ear or shelled corn produced in 1955 grading No. 3 or better, or No. 4 on test weight only, meeting moisture requirements, and sanitation requirements of Food and Drug Administration.

Eligible participants are 1955 crop corn producers who are in compliance with applicable regulations approved by the Secretary governing eligibility for Price Support.

Operations: Nonrecourse loans are available from harvest (about August 1, 1955) through May 31, 1956 maturing July 31, 1956, or earlier on demand. In areas where the ASC State Committee determines that corn cannot be safely stored throughout the full storage period, the final date of availability shall be earlier as determined by the committee. The average level of support in the commercial corn area is \$1.58 per bushel, which reflects 87% of parity as of October 1, 1955 the beginning of the marketing year. The support rate outside the commercial area is 75% of the commercial area rates. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans are on a note-and-chattel mortgage basis for farm-stored, and note-and-loan agreement basis for warehouse-stored corn.

Purchase agreements are offered to producers from harvest (about August 1, 1955) through May 31, 1956. A producer desiring to deliver corn under a purchase agreement must declare his intention to sell within a 30-day period ending on July 31, 1956. The producer will not be obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement will be the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; Titles I and IV of the Agricultural Act of 1949, as amended (7 U.S.C. 1441, 1441-1443).

BASIS OF ESTIMATE:

Economic Factors: The estimate assumes that acreage allotments will be in effect for the 1956 crop, as they were for the 1955 and 1954 crops. Production from the 1956 crop is estimated at 3,075 million bushels, slightly smaller than the 1955 crop, due to an expected small drop in planted acres. Domestic disappearance in the 1956 marketing year is expected to total about 3,056 million bushels, or 28 million above the estimate for the 1955 marketing year, due largely to a moderate increase in livestock numbers and lower prices for corn. The carry-over on October 1, 1955, is estimated at 1,024 million bushels, the highest in history, and present indications are that the carry-over in 1956 will reach a new high of 1,070 million bushels but drop to 980 million bushels as of October 1, 1957.

Price Support Activity: The Agricultural Act of 1954 lowered the statutory minimum support rate on "basic" commodities from 90 to 82-1/2 percent of parity on the 1955 crops, and on succeeding crops the minimum rate of 75 percent of parity as provided in the Agricultural Act of 1949 is effective. On March 24, 1955, the Department announced that the national average support price on the 1955 crop of corn, applicable only in the commercial area, would be no less than \$1.58 per bushel, which was 87 percent of parity (old) on February 15, 1955 and did not change as of October 1, 1955, the beginning of the marketing year. Based on the present indications, it appears that the 1956 crop will be supported, in the commercial area, at a minimum of 83 percent of parity (transitional) or about \$1.44 per bushel. When acreage allotments are in effect (as they were for 1954 and 1955, and will be for 1956) corn in the non-commercial area is supported at only 75 percent of the rates which otherwise would be calculated based on the national average rate. Usually about one-fourth of the U. S. corn crop is produced in the non-commercial area. The lower support level in the non-commercial area is not a large factor in price support operations, because prevailing prices in this area normally are higher, and farmers generally do not need to participate in the support program, as they do in the principal growing area.

It is estimated that nearly 50 percent of corn farmers in the commercial area did comply with farm acreage allotments for the 1955 crop, compared with about 40 percent for the 1954 crop. It is estimated that approximately 800 million bushels of the 1955 crop in the commercial area will be eligible for price support, compared with about 700 million for the 1954 crop. Compliance and eligibility are likely to be somewhat higher for the 1956 crop than for the 1955 crop. Because of continued outlook for heavy supplies, decreased support levels and the increased bushelage eligible for price support, it is contemplated that there will be an increasing volume of corn supported in both fiscal years 1956 and 1957 and that deliveries will be in considerable volume. It is expected that farmers will place about 325 million

bushels of 1955 crop under support (250 million under loan and 75 million under purchase agreements), and that they will place about 375 million bushels of 1956 crop under support (300 million under loan and 75 million under purchase agreements), compared with a total of 257 million bushels of the 1954 crop placed under support (198 million under loans and 59 million under purchase agreements).

The CCC-owned 581 million bushels of corn on July 1, 1955, all from 1953 and prior crops (very little 1951 or earlier). It is estimated that deliveries to CCC from the 1954 crop in fiscal year 1956 will total about 190 million bushels, and 43 million resealed may be acquired in fiscal year 1957, or a total of 233 million bushels. Deliveries to CCC from the 1955 crop are likely to total about 270 million bushels practically all in fiscal year 1957. Sales and donations are not expected to exceed 112 million bushels in the fiscal year 1956 and 141 million in 1957. This means the CCC inventory is likely to increase to about 734 million bushels on July 1, 1956, and to over 900 million on July 1, 1957. Domestic sales are expected to be much less in the fiscal year 1956 than in the previous year because the CCC will own very little old corn which is going out of condition; in 1957 domestic sales can be expected to step up to near those of the fiscal year 1955, because considerable 1953 and prior crop corn will still be on hand.

Cornmeal

Price Support Activity: Price support stocks of corn are exchanged for cornmeal and subsequently exported under International Cooperation Administration programs for meeting urgent famine or relief requirements authorized by Title II of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480).

During the fiscal year 1955 2,204,600 lbs. of cornmeal at a cost of \$116,187 were so shipped. It is estimated that 2,700,000 lbs. of cornmeal at a cost of \$204,000 will be shipped during each of the years 1956 and 1957.

PRICE SUPPORT PROGRAM, Basic Commodities

Cotton

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop upland cotton at not more than 90 percent of parity nor less than $82\frac{1}{2}$ percent of parity, and extra long staple cotton at 75 percent of parity as required by law.

Eligibility: Eligible commodity is upland cotton produced in the United States in 1955, and extra long staple cotton produced from 1955 plantings in designated areas, of specified grade and staple length, in bales of at least 300 pounds not compressed to high density.

Eligible participants are producers of 1955-crop cotton with legal right to pledge it as security for a loan, and acceptable cotton cooperative marketing associations. Producers must comply with applicable regulations prescribed by the Secretary with respect to acreage allotments and marketing quotas.

Operations: Warehouse and farm storage loans are available from about July 1, 1955 through April 30, 1956 on: (1) upland cotton in all cotton-producing States; (2) American-Egyptian cotton produced in designated areas of Arizona, California, Texas, and New Mexico; (3) Sealand and Sea Island cotton produced in designated areas of Georgia and Florida; and (4) Sea Island cotton in Puerto Rico. Loans mature July 31, 1956, or earlier on demand.

The average level of support for Middling 7/8-inch upland cotton, gross weight, is 31.70 cents per pounds, which reflects 90% of parity as of August 1, 1955 the beginning of the marketing year. The average support price for extra long staple cotton is 55.20 cents per pound, the announced minimum, which reflected 76% of parity as of August 1, 1955, with an average of 55.32 for American-Egyptian and 50.32 cents for Sealand and Sea Island. Premiums and discounts, with appropriate location differentials will apply, except that no location differentials will be established for Sealand and Sea Island Cotton.

Loans are made on warehouse-stored cotton covered by Producer's note and Loan Agreements, on farm-stored cotton by notes secured by cotton chattel mortgages, and on cotton covered by bills of lading in areas where there is a shortage of storage space and where arrangements can be made for handling the cotton. Loans may be obtained by producers from approved lending agencies, or direct from the Corporation and by cooperative associations direct from the Corporation. All cotton must be classed by a Board of Cotton examiners of the U. S. Department of Agriculture. The classification fee is 25 cents a bale, except

that no charge will be made if samples are submitted under the Smith-Doxey Program.

Cotton not redeemed by maturity date will be handled in accordance with loan agreements under which CCC has the right to sell, purchase, or pool the cotton upon maturity and nonpayment of the loans.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 711-714c), particularly section 714c thereof; Titles I and IV of the Agricultural Act of 1949, as amended, (7 U. S.C. 1441, 1442-1443).

BASIS OF ESTIMATE:

Cotton, Upland

Economic Factors: For the purpose of this estimate, it has been assumed that acreage allotments and marketing quotas will be in effect during the 1956 marketing year and that the minimum marketing quota of 10,000,000 bales will not be increased. A production of 9.9 million bales is therefore estimated from the 1956 crop resulting in a total supply for the year of 23.5 million bales -- nearly 2 million bales less than for the preceding year. This decrease represents about 4.6 million bale reduction in production below the 1955 crop and a 2.6 million bale increase in the carryin. Disappearance during the 1956 marketing year, including estimated exports of 3.5 million bales, is expected to total 12.5 million bales -- 2.5 million bales more than produced so that the carryout at the end of the 1956 marketing year is estimated to decrease in a corresponding amount.

Price Support Activity: Because of the estimated decreases in the production, supply and carryout of cotton during the 1956 crop year it is expected that loans made during the fiscal year 1957 will drop 4.5 million bales below those made during the fiscal year 1956. Loan forfeitures during the fiscal year 1957 reflect a marked decrease from 6.3 million to 4.5 million bales -- due to the nonrecurring factor of extending the repayment period for 1953 crop loans until August 1, 1955, at which time loans on approximately 4.7 million bales of cotton matured. Cotton sales, a nominal amount during the fiscal year 1955, are expected to increase to 1.4 million bales during 1956 and 2.8 million bales during 1957.

Cotton, Extra Long Staple

Economic Factors: This estimate is based on the assumption that acreage allotments and marketing quotas will be in effect on the 1956 crop of extra long staple cotton and that quotas will be set near the minimum prescribed by law -- not less than the larger of 30 thousand bales or the number of bales equal to 30% of estimated domestic consumption plus exports. Although estimated production for 1956 is 10.5 thousand bales less than in the previous year, total supply is 19.5 thousand bales more because of a 30 thousand bale increase in carryin into 1956. Domestic disappearance is estimated to remain constant at the level of the 1954 marketing year and despite expected increases of 15 thousand bales in exports during 1955 and 1956 it is estimated that the carryout at the end of the 1956 marketing year will be 19.5 thousand bales more than at the end of 1955.

Price Support Activity: Because of the marketing quotas in effect in 1955 and 1956 marketing years, it is expected that the number of bales to be placed under loan during each of the fiscal years 1956 and 1957 will be about 10 thousand bales less than loans made during the fiscal year 1955. Acquisitions during the fiscal year 1957 will be considerably less than for the current fiscal year since both the 1953 and 1954 crop loans matured in that year and only the 1955 crop loans will mature in 1957.

Cotton sales are estimated at 25 and 35 thousand bales in each of the fiscal years 1956 and 1957, respectively (none in 1955) due to anticipated increase in both domestic and export sales.

PRICE SUPPORT PROGRAM, Basic Commodities

Peanuts

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop peanuts at not more than 90% nor less than 82½% of parity as required by law.

Eligibility: Eligible commodity is 1955-crop inspected, merchantable farmers' stock, quota peanuts suitable for storage and containing not in excess of the percentages of foreign material, damaged kernels, and moisture established by the President or Executive Vice President, CCC.

Eligible participants are producers or cooperative marketing associations of producers, and shellers. Eligible producers must comply with applicable regulations prescribed by the Secretary with respect to peanut acreage allotments and marketing quotas.

Operations: Nonrecourse loans are available to eligible producers from July 15, 1955 through January 31, 1956 maturing May 31, 1956, or earlier on demand. The average level of support is \$244.80 per ton (12.2¢ per lb.), which reflects 90% of parity as of August 1, 1955, the beginning of the marketing year. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans are on a note-and-chattel mortgage basis for farm-stored peanuts and note-and-loan agreement basis for warehouse-stored peanuts. CCC will also purchase No. 2 shelled peanuts from commercial shellers from October 1, 1955 to not later than August 31, 1956.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly Section 714c thereof; Titles I and IV of the Agricultural Act of 1949, as amended (7 U.S.C. 1441, 1441-1443).

BASIS OF ESTIMATE:

Economic Factors: For the purpose of this estimate, it is assumed that existing minimum legal acreage allotments and related marketing quotas will be in effect in the 1956 marketing year; that production for the year will be 1,440 million pounds, based on a marketing quota of 740,600 tons; and that the price support level on the 1956 crop will be reduced to 88 percent of parity from the 90 percent level applicable to the 1955 crop. Estimated total supplies in the marketing year 1956, of 1,762 million pounds, are about 174 million pounds under the estimate for 1955. While the supply in these years is considerably in excess of the total supply (1,464 million pounds) in the marketing year 1954, it would be unrealistic to compare the supply for these years since production from the 1954 crop was abnormally low, due to the influence of adverse weather factors. Therefore, comparison is made with the 1953 marketing year when total supply was 2,004 million pounds. This compares with total supplies in the marketing years 1955 and 1956, as indicated above, of 1,936 and 1,762 million pounds, respectively.

While estimated total supply in the 1956 marketing year is 174 million pounds below the 1955 estimate, production is expected to fall about 300 million pounds below the 1955 estimate, this reduction being partially offset by an estimated increase in carrying stocks in the marketing year 1956 of about 125 million pounds over the 1955 figure.

Price Support: Although production from the 1956 crop is estimated to be considerably below the 1955 crop, it is not expected that this reduction will be reflected in the volume of loans made, which in the fiscal year 1957 is expected to be 300 million pounds. Again, for the reason stated above, comparison of loans made in these years is not made with actual volume of price support on peanuts during the fiscal year 1955, but with comparable activity during the fiscal year 1954 when 456 million pounds were placed under loan. Similarly, it is estimated that 360 million pounds of peanuts will be delivered to the Corporation during fiscal year 1956 and 200 million pounds in 1957, more in line with the 384 million pounds delivered in 1954 rather than the 2.5 million pounds delivered in 1955. Sales of peanuts are estimated to increase to 300,000,000 pounds during the fiscal year 1956 and to 260,000,000 pounds in 1957 compared with actual sales of 34.8 million pounds in 1955. Inventories at the close of the fiscal year 1957 will exceed the volume at the end of the current fiscal year by 40,000,000 pounds.

PRICE SUPPORT PROGRAM, Basic Commodities

Rice

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop rice at not more than 90% nor less than 82½% of parity as required by law.

Eligibility: Eligible commodity is 1955-crop rough rice other than "mixed rough rice" grading No. 5 or better.

Eligible participants are producers and cooperative marketing associations of producers of 1955-crop rice who are in compliance with acreage allotments for rice and regulations approved by the Secretary governing eligibility for price support.

Operations: Nonrecourse loans are available from about July 15, 1955 through January 31, 1956, and will mature April 30, 1956, (except that an earlier date may be set in some states) or earlier on demand. The support price is the announced minimum average of \$4.66 per cwt., which reflects 86% of parity as of August 1, 1955, the beginning of the marketing year. Premiums and discounts apply for the various varieties, grades, and milling qualities. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans are made on a note-and-chattel mortgage basis for rice stored on the farm and on a note-and-loan agreement basis when stored in approved warehouses.

Purchase agreements are offered to producers from about July 15, 1955 through January 31, 1956. Producers desiring to sell rice to the Corporation under a purchase agreement will have a 30-day period ending on April 30, 1956 during which to declare their intention to sell. The producer will not be obligated to sell any specified quantity; however, the amount specified in the purchase agreement will be the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; Titles I and IV of the Agricultural Act of 1949 as amended (7 U.S.C. 1441, 1441-1443).

BASIS OF ESTIMATE:

Economic Factors: The estimate assumes that acreage allotments and marketing quotas will be in effect for the 1956 crop of rice, as they were for the 1955 crop. Under the production-adjustment program, planted acreage decreased from 2,476 thousand acres for the 1954 crop to 1,852 thousand for 1955, and a further substantial cut to about 1,640 thousand acres is expected in 1956. Production from the 1954 crop of rough rice dropped from 59.1 million cwt. to 52.7 million for 1955, and a further drop to about 41 million cwt. can be expected for 1956 if average yields are obtained. Domestic disappearance is expected to remain at 26 to 27 million cwt. in the 1955 and 1956

marketing year, but exports are estimated at 23 million cwt. in both years, compared with only 14.4 million cwt. exported during 1954, largely as the result of aggressive export policies of the CCC in order to dispose of the very large stocks which have been accumulated by the Corporation. Even if exports are maintained at 23 million cwt. in the next 2 years, the carry-out at the end of the 1955 marketing year is indicated at 29.2 million cwt., compared with 26.7 million for 1954, and the indicated carry-out of 20.3 million cwt. for 1956 marketing year still will be excessively high. All but 1 to 2 million cwt. of the large carry-outs in all 3 years will be owned or controlled by the CCC.

Price Support Activity: The Agricultural Act of 1954 lowered the statutory minimum support rate on the "basic" crops, including rice, for 1955 crops from 90 to $82\frac{1}{2}$ percent of parity, and on succeeding crops the minimum rate of 75 percent of parity as provided in the Agricultural Act of 1949 is effective. On May 20, 1955, the Department announced that the minimum national average support price for the 1955 crop of rice would be \$4.66 per cwt. (rough basis), which is 85 percent of parity (modern) in mid-April 1955. On August 11, 1955, it was announced that the support rate on the 1955 crop would remain at \$4.66 per cwt., because neither an increase in parity nor a decline in the supply percentage had occurred to justify increasing the support rate. The estimate for the 1956 crop is based on a minimum rate of \$4.05 per cwt., which is 75 percent of October 15, 1955 parity (modern). The 1956 crop price support rate was announced on December 30, 1955 at a minimum national average of \$4.04 per cwt., which is 75 percent of the November 15, 1955 parity price.

In view of the estimated decreasing production and support levels, estimated increased exports, a smaller supply and carry-out for the 1956 marketing year and the fact that CCC will own or control nearly all of the carry-over reserves of rice each year, it is expected that there will be successive decreases in the volume of rice placed under support during each of the fiscal years 1956 and 1957, compared with actual loans and purchase agreements made during the fiscal year 1955. For these reasons also, loan repayments are expected to increase from 1955 fiscal year levels with less rice delivered to the Corporation.

It is expected that producers will place about 26 million cwt. of the 1955 crop under price support (14 million as loans and 12 million as purchase agreements), and that they will place 16 million cwt. of the 1956 crop under support (8 million as loans and 8 million as purchase agreements), compared with 30.4 million of the 1954 crop placed under support (17.5 million as loans and 12.9 million as purchase agreements). It is estimated that 12 million cwt. of the 1955 crop will be delivered to the CCC (half from loans and half from purchase agreements) and that the CCC will acquire 5 million cwt. from the 1956 crop (3 million from loans and 2 million from purchase agreements), compared with about 27 million cwt. from the 1954 crop (part of which was delivered after July 1, 1955).

PRICE SUPPORT PROGRAM, Basic Commodities

Tobacco

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop tobacco as required by law.

Eligibility: Eligible commodity is tobacco of the 1955-crop grown in the United States and in Puerto Rico. Eligible borrowers are growers of eligible tobacco who are in compliance with applicable regulations prescribed by the Secretary with respect to tobacco acreage allotments and marketing quotas. Growers of Pennsylvania Seedleaf Type 41 and Maryland Type 32 tobacco will not receive price support on the 1955 crop since they disapproved marketing quotas.

Operations: Nonrecourse loans are offered to cooperators at following levels during the periods indicated and mature on demand:

	Announced minimum average support Price per lb.	Support level		Loans Available	
		% of Parity	Parity as of	Earliest Date	Latest Date
Flue-cured.....	\$.483	91	7-1-55	7-1-55	2-28-56
Burley.....	.462	91	10-1-55	11-1-55	4-30-56
Fire-cured.....	.346	75	10-1-55	11-1-55	4-30-56
		(of burley)			
Dark air-cured and sun-cured.....	.308	66-2/3	10-1-55	11-1-55	4-30-56
		(of burley)			
Cigar filler & binder.....	.389	92	10-1-55	9-1-55	7-31-56
Puerto Rican.....	.319	88	10-1-55	2-1-56	9-30-56

Loans are made through grower cooperative associations or other responsible organizations which act for groups of growers in receiving, handling, and selling their tobacco. Costs incurred incidental to placing loan tobacco in storable condition and overhead costs of the cooperatives are advanced by CCC to the associations and become a part of the principal loan outstanding. No commercial insurance is carried on tobacco collateral. In lieu thereof the Corporation assumes the physical loss or damage on the tobacco and charges the loan account with a collateral fee of 1-1/2 cents per month per \$100 outstanding on the principal amount of the loan on tobacco stored in Continental United States and 3 cents per \$100 per month on tobacco stored in Puerto Rico.

Under the loan agreements the cooperatives in the auction areas bear overhead costs in connection with the loan operation in an amount not less than 12 cents per cwt. and are authorized to pass this charge on to the grower. The charge in cigar-type areas, where the auction system is not used, will be established at a rate proportionate to the relative costs involved in each area.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 7114-7114c), particularly section 7114c thereof; and Titles I and IV of the Agricultural Act of 1949, as amended (7 U.S.C. 1141, 11421-11431), and Section 2 of the Act of July 28, 1945 (59 Stat. 506).

BASIS OF ESTIMATE:

Economic Factors: The estimates assume that acreage allotments and marketing quotas will continue in effect on the 1956 crop of tobacco and that based on the 12 percent reduction in acreage for flue-cured tobacco below the 1955 acreage, proclaimed in July, 1955, and estimated quota levels for the other kinds, total production will be about 1,920 million pounds. This represents a 387 million pound decrease in production below the 2,307 million pounds estimated to be produced from the 1955 crop. Production from the 1955 crop is unusually high because of extremely favorable yields of flue-cured tobacco. This crop is currently estimated at 1,514 million pounds, which is 200 million pounds above the 1954 crop, despite the fact that acreage allotted was 5 percent less than for the 1954 crop. The supply of tobacco during the 1955 marketing year is expected to be 6,645 million pounds - 350 million pounds more than the preceding year - and, as a result of the smaller production from the 1956 crop, tapers off to 6,470 million pounds during the 1956 marketing year.

Price Support Activity: Loans made during the fiscal year 1956 are estimated to continue at a high level - on 413 million pounds compared with 339 million pounds for the fiscal year 1955 - due to extremely favorable yield from the 1955 crop and heavy supply. With the expected smaller production from the 1956 crop and decreased supply during the 1956 marketing year loans made during the fiscal year 1957 are estimated to drop to 235 million pounds - 178 million pounds less than for the current fiscal year and 173 million pounds more is estimated to be redeemed during the fiscal year 1957 than for the current fiscal year - 350 million pounds redeemed in 1957 compared with 177 million pounds in 1956.

PRICE SUPPORT PROGRAM, Basic Commodities

Wheat

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1956-crop wheat at not more than 90 nor less than 75 percent of parity as required by law.

Eligibility: Eligible commodity is wheat produced in the Continental United States in 1956 and shall be (1) any class grading No. 3 or better; or (2) any class grading No. 4 or No. 5 on the factor of "test weight" and/or because of containing "durum" and/or "Red Durum" but otherwise grading No. 3 or better, and meeting sanitation requirements of Food and Drug Administration in a manner determined by the President or Executive Vice President. Wheat producers in the commercial producing areas must comply with applicable regulations prescribed by the Secretary with respect to wheat acreage allotments and marketing quotas.

Operations: Nonrecourse loans will be available from harvest (about May 15, 1956) through January 31, 1957 and will mature February 28, 1957 in designated States and March 31, 1957 in other States, or earlier on demand. The level of support in the commercial wheat-producing area will be \$1.81 per bushel which is 76 percent of transitional parity as of May 15, 1955.

This announced price will not be reduced, but will be increased if necessary because of any increase in parity or decrease in the supply percentage as of July 1, 1956, the beginning of the marketing year. The support level outside the commercial wheat-producing area will be 75 percent of that in the commercial wheat-producing area. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Farm-storage loans will be on a note-and-chattel mortgage basis and warehouse-storage loans on a note-and-loan agreement basis.

Purchase agreements will be offered to producers from about May 15, 1956 through January 31, 1957. A producer desiring to deliver wheat to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date, or on such earlier date as may be determined by the Corporation. The producer will not be obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement will be the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; and Titles I and IV of the Agricultural Act of 1949, as amended (7 U.S.C. 1441, 1421-1431).

BASIS OF ESTIMATE:

Wheat:

Economic Factors: The estimate assumes that acreage allotments and marketing quotas will be in effect for the 1956 crop, as they were for the 1955 and 1954 crops. Production from the 1956 crop is estimated at 860 million bushels, based on the statutory minimum of 55 million acres being planted for harvest as grain and average yields. Such a production would be 6 percent less than the 1955 crop when planted acres for harvest as grain were about the same. The carryin for the 1956 marketing year is expected to total at least 1,025 million bushels, somewhat higher than the previous record carryin of 1,021 million in 1955. Imports in both years are likely to be small. Total supplies in the 1956 marketing year are estimated at 1,888 million bushels, nearly as high as the record supplies in 1955 and 1954. Domestic disappearance is not expected to increase significantly in either of the marketing years 1955 or 1956 over the 627 million used in 1954. It is assumed that exports will be maintained in both 1956 and 1955 at around 275 million bushels, about the same level as in 1954, by continuation of the Department's aggressive sales policy, implemented by exports under the International Wheat Agreement, the Commodity Export program and sales for foreign currencies under Title I of Public Law 480. Despite the steps being taken to reduce production and to increase disappearance, the excessively large carryover reserves are not likely to be reduced very much in the next few years - unless adverse weather should cut down production, or unless unforeseen foreign requirements should develop.

Price Support Activity: The 1955 crop of wheat is being supported at a national average price of \$2.08 per bushel, equal to 82-1/2 percent of parity on July 1, 1955, which is the statutory minimum established for that crop by the Agricultural Act of 1954. The national average support price for the 1956 crop was announced on June 10, 1955, at minimum of \$1.81 per bushel, subject to approval by farmers of marketing quotas in accordance with the provisions of the Agricultural Act of 1949. In referendum on June 25, 1955, 77-1/2 percent of the wheat farmers voted in favor of quotas. The \$1.81 support rate is 76 percent of \$2.38 transitional parity (parity of \$2.51 less 5 percent) and it applies only in 36 states in the commercial wheat area (also established by Agricultural Act of 1954). Support rates in the other 12 states are 75 percent of rates which otherwise would be calculated on basis of the national average rate. The support rate on the 1956 crop in the Commercial Area will be \$1.81, unless either 76 percent of transitional parity on July 1, 1956 is greater, or the supply percentage on that date indicates a higher minimum level of support. The lower support level in the non-commercial area is not a large factor in price support operations because only a fraction of 1 percent of U. S. production normally falls in these 12 states.

When acreage allotments and marketing quotas are in effect for wheat, practically all producers in the commercial wheat area comply with their farm allotments.

Because of the estimated progressive decreases in production, supply, and support levels, it is expected that there will also be progressive decreases both in the volume of wheat to be placed under support and in the amount to be acquired by the Corporation during the fiscal years 1956 and 1957. Hence, nearly all production is eligible for price support. It is estimated that farmers will place about 275 million bushels of the 1955 crop under support (250 million as loans, and 25 million as purchase agreements) and that they will place about 225 million bushels of the 1956 crop under support (200 million as loans and 25 million as purchase agreements), compared with 431 million of the 1954 crop placed under support (401 million as loans and 30 million as purchase agreements).

The CCC acquired 455 million bushels of wheat in the fiscal year 1955 (430 million from collateral delivered and 25 million from purchase agreement deliveries) nearly all from the 1954 crop and in addition, it is expected that 14 million bushels in loans outstanding on July 1, 1955, will be acquired in the fiscal year 1956. It is estimated that the CCC will acquire 225 million bushels from the 1955 crop loans and 12 million of that crop under purchase agreement deliveries during fiscal year 1956. It is estimated that the CCC will acquire 175 million bushels from 1956 crop loans and 10 million of that crop under purchase agreement deliveries, during fiscal year 1957.

Sales by CCC during both fiscal years 1956 and 1957 are expected to total about 274 million bushels (compared with 251.4 million in 1955) of which about 26 million may be domestic sales, 85 million may be exported under P. L. 480, and other exports may total about 165 million bushels.

Wheat Flour:

Price Support Activity: Price support stocks of wheat are exchanged for wheat flour and subsequently exported under International Cooperation Administration programs for meeting urgent famine or relief requirements authorized by Title II of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480).

During the fiscal year 1955, 68,898,200 pounds of wheat flour at a cost of \$5,334,312 was so shipped. It is estimated that 108 million pounds of wheat flour at a cost of approximately \$8,000,000 will be shipped during each of the fiscal years 1956 and 1957.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Honey

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price which beekeepers receive for honey as required by law.

Eligibility: Eligible participant is any individual, partnership, association, or corporation producing 1955-crop extracted honey.

Eligible commodity is limited to extracted honey of the 1955-crop produced in Continental United States, Hawaii, and Puerto Rico, packed in 60-pound or larger containers, equivalent to or better than U. S. Grade C, and not objectionable in flavor.

Operations: Nonrecourse farm-storage loans and purchase agreements are available from April 1, 1955 through December 31, 1955, and will mature not later than March 31, 1956. Direct purchases are authorized in Hawaii and Puerto Rico.

The national average support price of 9.9 cents a pound reflects 70% of parity as of February 15, 1955, adjusted to the 60-pound container level.

Loans are made on a note-and-chattel mortgage basis and may be obtained from approved lending agencies or direct from CCC through the Agricultural Stabilization and Conservation County Committees. Loan rate is determined on the basis of samples from the lot or lots which will be placed under loan. Honey is to be stored in approved storage structures located on or off the producers' premises, excluding public warehouses. Producers are obligated to maintain the structures in good repair and keep honey in good condition.

Purchase agreement deliveries will be accepted within the maximum quantity specified in the agreement.

Contracts on a negotiated or bid basis may be entered into with commercial honey packers for processing or repackaging which may be required either to protect or to facilitate the disposition of the commodity.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles II and IV of the Agricultural Act of 1949 (7 U.S.C. 1446, 14421-14431).

BASIS OF ESTIMATE

Economic Factors: It is estimated that the production of honey in 1955 and 1956 marketing years will be 243 million and 240 million pounds respectively, both years representing more than ten percent increases over the production for the 1954 marketing year. With imports expected to remain fairly stable at the level of those for the 1954 marketing year, and relatively small carry-ins, total supplies of 258 and 266 million pounds for the respective 1955 and 1956 marketing years are indicated as compared with a total supply of 237 million pounds in 1954. Total disappearance in the 1955 and 1956 marketing years is estimated to be much higher than for 1954, with increasing domestic use approximately offsetting decreased exports.

Price Support Activity: Because of the estimated increase in production and supply over the level for the 1954 marketing year, it is expected that price support will be extended on 4 million and 6 million pounds of honey during the respective fiscal years 1956 and 1957 compared with about 1.5 million pounds entering the support program during the fiscal year 1955. It is expected also that 1 million pounds of honey will be delivered during 1956 and 4 million pounds will be delivered in 1957. This is an increase over corresponding activity during the fiscal year 1955, when no honey was taken over. Sales are expected to increase from less than 1 million pounds during the fiscal year 1955 to 1 million and 4 million pounds, respectively, in the fiscal years 1956 and 1957, mostly through Section 32 outlets.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Milk and Butterfat

SUMMARY OF LATEST OPERATIONS:

Objective: To support the general level of prices to producers of milk and butterfat and the products of such commodities from April 1, 1955 to March 31, 1956 as required by law.

Eligibility: Eligible dairy products must be produced and located in the Continental United States and must be in units of not less than tariff minimum cartons for the area where the products are located. The following products are eligible at maximum rates indicated.

Butter (Solid packed in commercial containers):

	<u>U.S. Grade A or higher</u>	<u>U. S. Grade B</u>
	(cents per pound)	
New York	58.25	56.25
Chicago, San Francisco and Seattle	57.5	55.5

American Cheddar cheese, U.S. Grade A or higher (Packed in commercial domestic or export containers):

33.25 cents per lb., domestic
packages
34.00 cents per lb., export
packages

Nonfat dry milk solids, U.S. Extra Grade (Packed in export containers):

	<u>Large containers</u>	<u>Small containers</u>
Spray	16.00 cents per lb.	21.0 ¢ per lb.
Roller	14.25 " " "	19.25 ¢ per lb.

Operations: Purchases are made from manufacturers and handlers of dairy products on the basis of offers and acceptances pursuant to announcements setting forth the terms and conditions of purchase. Purchase contracts are to be dated after March 31, 1955 and not later than March 31, 1956 for delivery not later than May 31, 1956.

Purchases of butter are on a "basing point" method. Base prices will be at the four terminal markets listed above. The purchase price at other points will be at the price of the market named by the seller less 80% of the lowest published domestic railroad carlot freight rate per pound gross weight from the offer point to the designated market. Purchase prices were computed to reflect a general level of prices to producers of 76% of butterfat parity price and 80% parity equivalent price (as of April 1, 1955) for milk used in manufacturing principal dairy products or \$3.15 per cwt. for manufacturing milk testing 3.95% and 56.2 cents per pound for butterfat.

Donations under Section 416 to the Administrator of Veterans' Affairs, and to the Secretary of the Army, acting also for the Navy, Marine Corps and Air Force, is authorized for price-supported dairy products (including milk). An allowance by CCC is made for surplus fluid milk purchased by the above agencies at rate of \$4.10 per hundredweight. The latter program will expire on December 31, 1956.

To support dairy prices, beginning September 1, 1954 and ending June 30, 1956, not to exceed \$50,000,000 annually of CCC funds shall be used to increase the consumption of fluid milk by children in nonprofit schools of high-school grade and under. Payments are made through the facilities of the School Lunch Program upon certifications of use of additional milk by local schools. This operation is administered by the Agricultural Marketing Service.

The President, in his Farm Message of January 9, 1956, recommended that this Special School Milk Program be extended for two years beyond June 30, 1956, with authorization to use CCC funds increased from 50 to 75 million dollars a year. If this program is extended by the Congress expenditures of the Corporation in 1957 will increase accordingly.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Title II of the Agricultural Act of 1949 (7 U.S.C. 1446) as amended by the Agricultural Act of 1954 (Public Law 690, 83rd Congress).

BASIS OF ESTIMATE:

Economic Factors: Milk production on farms in the 1955 marketing year is expected to total 124.5 billion pounds, 1.5 billion pounds more than the previous marketing year. It is estimated that milk production in the 1956 marketing year will increase to 126 billion pounds. Plentiful feed supplies and unfavorable prices of other livestock enterprises will tend to encourage production.

It is estimated that civilian per capita consumption of milk and its products will increase during the 1955 marketing year due to increases in consumer disposable incomes, Government distribution of dairy products, fluid milk consumption under the special school milk program, and promotional activity by the dairy industry. The per capita rate of consumption in the 1956 marketing year is assumed to remain unchanged from the 1955 marketing year.

Price Support Activity: Support prices for manufacturing milk and butterfat are assumed to remain unchanged from current levels in the 1956 marketing year. Based on the parity data for March, 1955, these prices would represent 80 percent of the parity equivalent price for manufacturing milk and 76 percent of parity for butterfat. Despite the increasing milk production, the estimated increasing demand for milk and dairy products, due in part to the promotional activity of the industry itself, is expected to contribute to holding up average farm prices to the support level. CCC purchases of dairy products during the fiscal years 1956 and 1957 therefore, are estimated to remain at relatively lower levels than in some of the recent years.

Percentagewise, CCC purchases are estimated to represent 3.8 percent of milk production in the marketing year 1955 and 3.5 percent in the marketing year 1956 as compared with 4.7 percent in 1954 and nearly 10 percent in 1953 when support levels of 90 percent of parity were in effect.

Exports of CCC stocks of butter, cheese and nonfat dry milk solids in the 1955 marketing year will increase over a year earlier, largely as a result of donations for welfare uses as authorized by section 416 of the Agricultural Act of 1949, as amended. In the 1956 marketing year because of the lower level of CCC stocks and the higher priority of domestic outlets, exports of CCC butter are expected to decline sharply from a year earlier and exports of nonfat dry milk solids are expected to decline moderately. Exports of cheese are expected to continue at about the 1955 level during the 1956 marketing year. It is estimated that by the end of the fiscal year 1957, CCC will have exhausted its inventory of butter and have on hand only 40 million pounds of cheese and 93 million pounds of dried milk.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Mohair

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of mohair during the marketing year April 1, 1956 through March 31, 1957 as required by law.

Eligibility: Mohair produced in the Continental United States, its territories and possessions and shorn on or after January 1, 1956, and marketed on or after April 1, 1956, but not later than March 31, 1957.

Operations: Price of domestic shorn mohair is supported at 70 cents per pound, which is approximately 92 percent of the parity price for mohair as of August 15, 1955. While mohair support levels shall be at a level comparable to the wool incentive price, the mohair price level may vary as much as 15% above or below the comparable percent-of-parity wool incentive level. Payments are made to eligible producers, based on their net sales proceeds from shorn mohair marketed during the 1956 marketing year. Such payments are reimbursable from 70 percent of the annual specific duties collected on wool and wool manufactures. Payments to producers are on a percentage basis, reflecting the difference required to bring the national average price received by all producers up to the announced support level. Applications by producers for payment, determining producers' eligibility for payments, and computation of payments will be made through Agricultural Stabilization and Conservation County Committees.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly Section 714c thereof; and the National Wool Act of 1954 (Title VII of the Agricultural Act of 1954, Public Law 690, 83rd Congress, approved August 28, 1954).

BASIS OF ESTIMATE:

Economic Factors: Prices received for mohair thus far during the 1955 marketing year have been above the support price of 70 cents per pound. While prices for mohair may decline from current levels, it is expected they will average higher than the support level for the 1955 and 1956 marketing years.

There are some indications that consumption in the United States and exports are somewhat smaller than last year. However, recent price declines to producers may stimulate some increase in consumption in this country and also in exports. Information from trade sources indicates that prices for mohair in South Africa are higher than the tariff-protected prices for mohair in the United States.

Price Support Activity: No price support activity on mohair was required during the 1955 fiscal year as market prices during the 1954 marketing year averaged higher than the support price of 64.3 cents per pound.

At this time, prices to producers are not expected to decline to levels that will require payments on mohair during the 1955 or 1956 marketing seasons.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Tung Nuts

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop tung nuts as required by law.

Eligibility: Producers of 1955-crop tung nuts. Tung nuts must be matured, air dried with hard hulls and suitable for milling. Tung oil must meet Federal specifications.

Operations: Purchase agreements are available on eligible tung nuts from November 1, 1955 through January 31, 1956, at 50.70 per ton, basis 18.5% oil content. This reflects 60% of September 15, 1955 parity, which is not less than 60% of the estimated November 1, 1955 parity. The producer may deliver tung nuts or tung oil at his option, so long as the quantity does not exceed the maximum amount of tung nuts, or tung oil equivalent, specified in the purchase agreement. Notice of intention to deliver tung nuts must be made known by producers within a 30-day period ending March 31, 1956, and to deliver tung oil within a 30-day period ending October 31, 1956.

Nonrecourse loans and purchase agreements on eligible tung oil are available from November 1, 1955 through June 30, 1956, maturing October 31, 1956, or earlier on demand. The loan and purchase agreement rate for eligible tung oil, 19.6¢ per lb., was determined on the basis of a formula involving the support level of tung nuts and the milling fee and oil outturn per ton of nuts. Loans are made on a note-and-loan agreement basis with a warehouse receipt constituting the security. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles II and IV of the Agricultural Act of 1949 (7 U.S.C. 1446, 1421-1431).

BASIS OF ESTIMATES:

Economic Factors: Domestic production of tung oil from the 1955 tung nut crop was greatly affected by the severe freeze early in 1955 which destroyed about the entire nut crop and also resulted in damage to some trees. However, because of new tree stock coming of bearing age and the tendency of heavy bearing after a crop failure, a production of 121,000 tons of tung nuts yielding about 40 million pounds of oil is estimated from the 1956 marketing year. This is an increase of 37 million pounds in the production of oil over the estimated 1955 crush. Total supplies of oil during the 1956 marketing year will be approximately 89 million pounds, including imports estimated at 30 million pounds. Domestic disappearance is estimated at 46 million pounds during the 1956 marketing year, approximately the same as for the last three years.

Price Support Activity: Because of the estimated increase in production and supply of tung oil during the 1956 marketing year it is expected that loans made during the fiscal year 1957 will increase to 30 million pounds and that 2 million pounds will be placed under purchase agreements. Price support estimated to be extended on tung oil during the fiscal year 1956 is expected to be negligible due to the failure of the 1955 tung nut crop. CCC inventories from older programs are expected to be almost entirely sold before the close of the fiscal year 1956. It is estimated that 5 million pounds will be redeemed during the year and that loans outstanding on June 30, 1957, will be 25 million pounds.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Wool

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of wool during the marketing year April 1, 1956 through March 31, 1957 at an incentive level necessary to encourage an annual domestic production of approximately 300 million pounds of shorn wool, grease basis, as required by law.

Eligibility: Domestic wool shorn on or after January 1, 1956, and marketed on or after April 1, 1956, but not later than March 31, 1957. Pulled wool from sheep and lambs marketed on or after April 1, 1956, but not later than March 31, 1957.

Operations: Price of domestic shorn wool is supported by incentive payments to producers, based on their net sales' proceeds from shorn wool marketed during the 1956 marketing year. Such payments are reimbursable from 70 percent of the annual specific duties collected on wool and wool manufactures. Pulled wool is supported by payments on the live weight of sheep and lambs, according to pelt classifications, marketed during the 1956 marketing year. Incentive payment for domestic shorn wool is 62 cents per pound, grease basis, being 106 percent of the parity price as of August 15, 1955. The incentive price for pulled wool will be figured at a rate per hundredweight of live animal to compensate for the wool at a price relationship comparable to the incentive payments for shorn wool. Payments supporting domestic shorn and pulled wool are made to eligible producers on a percentage basis, reflecting the amount required to bring the national average price received by all producers up to the announced incentive levels. Applications by producers for payment, determining producers' eligibility for payments, and computation of payments, will be made through Agricultural Stabilization and Conservation County Committees.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and the National Wool Act of 1954 (Title VII of the Agricultural Act of 1954, Public Law 690, 83rd Congress, approved August 28, 1954).

BASIS OF ESTIMATE:

Economic Factors: Domestic wool production during 1955 marketing year is expected to be slightly smaller than that in 1954, and to be about the same in 1956 as in 1955.

The average price received by farmers for wool August 15, 1955, was 42.8 cents per pound, compared with 53.8 cents a year ago, a decline of 11 cents per pound or slightly more than 20 percent. Boston prices and prices in foreign markets for wool have shown declines of approximately 10 percent to 25 percent from prices prevailing a year ago. Recent prices for wool by class and grade in Boston were slightly below relationship to prices for wool in foreign markets as compared with a year ago.

The high rate of economic activity and the high level of consumer incomes favors some improvement from recent price levels for domestic wool. U. S. mill consumption of apparel wool during 1955 through July was 5 percent higher than during the same period last year. However, a sharp rise from current levels of prices for wool is not expected. World production of wool is increasing and consumption has declined in some European countries. Also, CCC has in inventory approximately 150 million pounds of wool - about 3 months' U. S. requirements at the recent rate of consumption - to dispose of. While it is planned to market this wool in an orderly manner with the least adverse effect upon the market, the disposal of wool in the CCC inventory will tend to retard price advances in this country.

Wool price trends in the U. S. will depend a great deal upon price trends in foreign markets. Prices at the Australian auctions which commenced on August 29, 1955, for the new season were below a year ago. This decline had been anticipated and domestic prices were thought to have about discounted the opening prices at Australia. However, since the opening, prices in Australia have shown further declines, while prices for domestic wools also have shown a further slight ease but have not as yet shown signs of a recovery.

Price Support Activity: Payment Program: The incentive price for shorn wool for the 1956 marketing year will be 62 cents per pound, the same as for the 1955 marketing year. The estimated average payment of 20 cents on shorn wool represents the difference between the incentive price and the average price of 42 cents estimated to be received by farmers during those years.

Such payments on 228 million pounds of shorn wool, plus average incentive payments of 16 cents on 65 million pounds of wool from 13 million hundredweight of eligible lambs and yearlings expected to be marketed during each year, will total \$56,000,000, or an average incentive payment of 19.1 cents per pound on all marketings, during each of the fiscal years 1956 and 1957.

Inventory: It is estimated that all but about 27 million pounds of the wool in the CCC inventory will be sold by the end of the 1957 fiscal year.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Barley

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop barley as a feed grain in order to maintain farm income and economic stability.

Eligibility: Eligible commodity is barley produced in continental United States in 1955 and grading No. 5 or better or No. 5 Garlicky or better. Eligible participants are producers of 1955-crop barley, who are in compliance with any regulation prescribed by the Secretary governing the eligibility for price support.

Operations: Nonrecourse loans are available from about May 15, 1955 through January 31, 1956, and will mature on April 30, 1956, (except that any earlier maturity date may be established for any State by the President or Exec. V. President, CCC) or earlier on demand. The national average support price was 94¢ per bushel, 70 percent of November 15, 1954 parity price for all barley. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans will be made on a note-and-chattel mortgage basis for farm-stored barley and on a note-and-loan agreement basis secured by warehouse receipts for warehouse-stored barley.

Purchase agreements are offered to producers from about May 15, 1955 through January 31, 1956. A producer desiring to deliver barley to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date. The producer will not be obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 as amended (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE

Economic Factors: Because of acreage reduction programs in effect on all "basic" crops, particularly wheat, production from the 1956 crop of barley is estimated at 385 million bushels, only slightly less than the 1955 crop of 386.6 million bushels, but 15 million bushels above the 1954 crop. With imports estimated to be stabilized at about the same level as for the 1954 marketing year, very large supplies are indicated for both the 1955 and 1956 marketing years. Although rather substantial increases in domestic disappearance and exports are estimated for the next two years, the carryover in the 1956 marketing year is estimated at 150 million bushels and the carryover in 1957 is estimated at 140 million bushels, compared with approximately 130 million in 1955. The 1949-53 average carryover was about 80 million bushels, which can be considered as normal.

Price Support Activity: On December 13, 1954, the Department announced that the national average support level for the 1955 crop of barley would be dropped to 94 cents per bushel, equal to 70 percent of parity, compared with support for the 1954 crop at \$1.15 per bushel - 85 percent of parity. The budget estimate is predicated upon a continuation of the support level for the 1956 crop at 70 percent of parity. With increased production, supplies, and carryouts in prospect, heavy participation in the support program is indicated for both the 1955 and 1956 crops. It is estimated that farmers will place 100 million bushels of the 1955 crop under support (85 million as loans and 15 million as purchase agreements) and that they will place 90 million bushels of the 1956 crop under support (80 million as loans and 10 million as purchase agreements), compared with 109.4 million bushels of the 1954 crop placed under support (95.1 million as loans and 14.3 million as purchase agreements). The gradual decline in price support activity is attributed to the lower support levels and the estimated increased use of barley for feed and exports.

It is expected that the major portion of barley entering the support program will be delivered to the Corporation - 74 million bushels during the fiscal year 1956 and 64 million bushels during 1957, compared with actual deliveries of 94 million bushels during fiscal 1955. This decline also is attributable to the same factors affecting the decrease in barley placed under support.

Despite anticipated increases in both domestic and export sales during the 1956 and 1957 fiscal years, partially as a result of anticipated domestic demands for barley as feed and sales under Public Law 480 (57 million bushels and 61 million bushels for fiscal years 1956 and 1957, respectively, compared with 34 million bushels sold during fiscal 1955), holdings of barley by CCC are estimated to increase to 91 million bushels by the end of fiscal year 1956, and to 94 million bushels by the end of fiscal year 1957, compared with actual holdings of 74 million bushels at the close of fiscal year 1955.

PRICE SUPPORT PROGRAM, Mandatory Nonbasic Commodities

Beans, Dry, Edible

SUMMARY OF LATEST OPERATIONS:

Objective: To support 1955-crop dry edible beans at prices designed to help keep this year's acreage in approximate balance with needed production without resort to acreage allotments, and to promote orderly marketing.

Eligibility: Eligible commodity is dry edible beans of the classes: Pea and medium white, Great Northern, small white, flat small white, pink, small red, Pinto, Red Kidney, large lima and baby lima, produced in the United States in 1955, grading number 2 or better and containing not in excess of 18% moisture. Eligible participants are producers or cooperative marketing associations of producers which meet requirements of eligibility established by the President or Executive Vice President, CCC.

Operations: Nonrecourse warehouse stored and farm stored loans are available in all states except New York from harvest (about August 15, 1955) through January 31, 1956 and will mature on February 29, 1956 in the case of beans stored in the States of Michigan and Pennsylvania and on April 30, 1956 in all other States. The support prices reflect an average of \$6.36 per 100 pounds or 70% of the February 15, 1955 parity for all dry edible beans.

Loans are made on a note-and-chattel mortgage basis in farm stored beans and on a note-and loan agreement basis for warehouse stored beans. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees.

Purchase agreements are offered from harvest through January 31, 1956 in all States. In New York State only commercial loans based on purchase agreements will be made to producers who want them. A producer who elects to deliver beans to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending February 29, 1956 in Michigan, Pennsylvania and New York and on April 30, 1956 in all other States, or such earlier date as may be prescribed by the President or Executive Vice President, CCC. The producer is not obligated to sell any specified quantity; however the quantity specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o) particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949, as amended (7U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Economic Factors: Acreage and production of dry edible beans are likely to decline moderately in 1956, largely because of lower prevailing prices compared with other recent years. Production (cleaned basis) from the 1956 crop is estimated at 16.5 million cwt., compared with 17.5 million in 1955, and 17.0 in 1954. The carry-over into 1956 marketing year is estimated at 3.3 million cwt., compared with 3.0 million in 1955, and 2.2 million in 1954. Total supplies in the 1956 marketing year are expected to be about 20.0 million cwt., compared with 20.6 million in 1955 and 19.3 million in 1954. The bulk of the carryovers in the 1956 and 1957 marketing years is expected to be in CCC inventory, as they were in 1955. Domestic consumption and exports are expected to increase only moderately in the next 2 years.

Price Support Activity: On March 11, 1955, the Department announced that the 1955 crop of dry edible beans would be supported at a national average price of \$6.36 per cwt., based upon 70% of parity, compared with a support price of \$7.24 for the 1954 crop which was equal to 80 percent of parity. This budget estimate assumes the support level for the 1956 crop will continue at 70 percent of parity.

Because of lower acreage and production estimated for the 1956 crops, and the fact that the government will own or control most of the surplus stocks, resulting in farm prices generally averaging close to the loan rate or better, it is expected that farmers will place fewer beans under support during the fiscal year and that loan repayments will be somewhat higher. It also follows that deliveries to CCC from this crop will be smaller than in preceding years.

It is expected that farmers will place about 4.9 million cwt. of the 1955 crop under price support (4 million as loans and 900 thousand as purchase agreements) and that they will place 3.5 million cwt. of the 1956 crop under support. (3 million as loans and 500 thousand as purchase agreements) compared with a total of 4 million cwt. of the 1954 crop placed under support. (3.5 million as loans and 539 thousand as purchase agreements).

It is expected that redemptions by borrowers will be greater in both fiscal years 1957 and 1956 than in 1955, and that deliveries to CCC may be considerably less in the fiscal year 1957 than in the 2 previous years. Acquisitions by CCC are estimated at 1.7 million cwt. in the fiscal year 1957 and 3 million in 1956, the later being about the same as in 1955.

The CCC is expected to own about 3.5 million cwt. of beans on June 30, 1956, and about 2.7 million on June 30, 1957, the latter being close to the reported inventory of 2,752 thousand cwt. as of June 30, 1955. It is not likely that the CCC will be able to dispose of any substantial quantity of beans under Title I of P. L. 480 (sales for foreign currency) in the next 2 years, as none moved under this program during the fiscal year 1955; but 200 to 300 thousand cwt. may be shipped under Title II of this Act (foreign relief) in each of the next 2 years. It is contemplated, however, that CCC may be able to dispose of the majority of its acquisitions by other exports. On August 22, 1955, the Department announced that it would donate up to 600 thousand cwt. of dry edible beans for domestic use, through school lunch programs and other eligible outlets. The bulk of these donations will occur during the fiscal year 1956 and no similar program has been projected for the fiscal year 1957.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Cottonseed

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop cottonseed to eligible producers.

Eligibility:

a. Commodities:

- (1) Cottonseed containing not more than 11 percent moisture produced in the United States in 1955 by an eligible producer. Moisture content is not applicable to purchases.
- (2) Cottonseed and products from ginneries and oil mills under contract with CCC.

b. Participants:

- (1) Producers of 1955-crop cottonseed as individuals, partnerships, corporations, associations or other legal entity.
- (2) Participating ginneries (those filing notice with County Committee of intention to participate in program).
- (3) Participating oil millers.

Operations: Loans: Farm-storage non-recourse loans will be made through January 31, 1956, maturing March 1, 1956 or earlier on demand, at \$46.00 per ton for basis grade (100), about 65% of Feb. 15, 1955 parity. Loans may be obtained direct from CCC through Agricultural Stabilization and Conservation County Committees and through approved lending agencies. Loans will be on note-and-chattel mortgage basis for cottonseed stored in approved structures (on or off farm) provided no warehouse receipts are outstanding.

Purchases: CCC will issue an open offer to purchase cottonseed from producers and participating ginneries through February 29, 1956. The purchase rate to ginneries will be \$46.00 per ton for basis grade (100) cottonseed, f.o.b. gin, and to producers \$42.00 per ton. Ginneries must agree to pay eligible producers not less than the support price. CCC may also issue an open offer to purchase cottonseed from participating oil mills.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

COTTONSEED AND PRODUCTS

BASIS OF ESTIMATE:

Economic Factors: The production of cottonseed during the 1956 marketing year is estimated at 4,200,000 tons compared with 6,119,000 tons estimated for 1955 and an actual production of 5,702,000 tons during 1954. These estimates are in line with the estimated decreases in the production of cotton resulting from acreage controls. The production of flaxseed and soybeans, however, which is not subject to acreage control and from which competing oils are derived is expected to increase from the 1954 crop levels.

Price Support Activity: In order to bring about a better balance between the consumption and production of oilseeds, the Department announced that support levels on the 1955 crops would be as follows: Soybeans, 70 percent of parity; flaxseed, 65 percent; cottonseed, 65 percent. While each of these support levels is lower than for the preceding years' crops of these commodities, the levels for soybeans and flaxseed are in line with those for other nonbasic crops and should encourage adequate plantings, but with less incentive for excessive plantings of these two oilseed crops in 1955. The support level for cottonseed was fixed in consideration of the lowered support for soybeans and flaxseed and maintains the same relationship in support levels as existed between soybeans and cottonseed for the 1954 crop. This is expected to result in lessening of competition for soybeans and a strengthening of the price relationship of cottonseed oil and meal relative to soybean oil and meal. A further difference in the support program for cottonseed is that it will be operated without a product purchase (the so-called package program for cottonseed oil, meal and linters). The estimated price support activity on the 1956 crops of these three commodities has been predicated upon a continuation of these announced policies.

Under this new approach, and with a lower cotton acreage, the adjusted level of support is expected to give producers an assurance of reasonable price support while permitting cottonseed products to move readily into domestic and export channels. Consequently, the estimates assume that prices paid to farmers for cottonseed will generally remain at or above the price support level during the fiscal years 1956 and 1957 that only a nominal amount of cottonseed will be placed under loan or purchased (loans, 2,000 tons; purchases, 20,000 tons) and that all cottonseed will either be redeemed or sold within the same fiscal year. It is expected that purchase operations will be carried out in localized areas only if it becomes necessary to do so to stabilize prices.

Estimated sales of 268 million pounds of refined cottonseed oil and 132 million pounds of meal from CCC inventories during the fiscal year 1956 will exhaust holdings of these commodities and no further acquisitions are expected in 1957. Estimated sales from CCC stocks of 273 thousand bales of linters during the fiscal year 1956 and 400 thousand bales in 1957 will reduce CCC's inventory from 1,210,861 bales as of June 30, 1955 to an estimated 572,144 bales as of June 30, 1957.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Flaxseed

SUMMARY OF LATE T OPERATIONS:

Objective: To support the price of 1955-crop flaxseed at a level which will tend to bring supplies more in line with demand.

Eligibility: Eligible flaxseed is that produced in 1955 and Grading No. 2 or better. Eligible participants are producers of 1955-crop flaxseed.

Operations: Nonrecourse loans are available from about April 1, 1955 through October 31, 1955 in Arizona and California and through January 31, 1956 in all other States. The national average support price for flaxseed grading No. 1 will be \$2.91 per bushel, which is 65 percent of the parity price of all flaxseed as of February 15, 1955. Loans will mature on January 31, 1956, or earlier on demand in Arizona and California and on April 30, 1956 in all other States. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans will be made on a note-and-chattel mortgage basis for flaxseed stored on the farm and on a note-and-loan agreement basis when stored in an approved public warehouse.

Purchase agreements are available on eligible flaxseed for the same periods and areas as are loans. A producer electing to deliver flaxseed to the Corporation must declare his intention in this regard within a 30-day period ending January 31, 1956 in Arizona and California and ending April 30, 1956 in all other States, or on such earlier dates as may be prescribed by the Corporation. The producer is not obligated to sell any specific quantity; however, the number of bushels specified in the purchase agreement is the maximum quantity that may be delivered.

Direct purchases are authorized from harvest through July 31, 1955 in designated Texas counties where flaxseed produced contains excess moisture and cannot be stored without deterioration.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE

Economic Factors: Because of acreage reduction programs in effect on the "basic" crops, particularly wheat production from the 1956 crop of flaxseed is likely to continue at a level far in excess of normal requirements. The 1956 production from 5.5 million planted acres at average yields, is estimated at 47 million bushels. This compares with 43 million bushels, produced from 5.3 million acres in 1955, at yields somewhat below average; and a production of 41.5 million bushels from a record 5,959 thousand acres planted in 1954, at yields considerably below normal. There will continue to be no imports because of restrictions under the provisions of Section 22 of the Agricultural Adjustment Act. With sizable carryovers of from 10 to 11 million bushels each year supplies in each of the marketing years 1955 and 1956 are likely to total substantially more than anticipated domestic and export needs.

Price Support Activity: On March 16, 1955 the Department announced that the national average support price for the 1955 crop of flaxseed would be \$2.91 per bushel, equal to 65 percent of parity. The 1954 crop was supported at \$3.14 per bushel, which was 70 percent of parity in mid-September, 1953. This budget estimate assumes that the support level for the 1956 crop will continue at 65% of parity. With supplies of flaxseed likely to be in about the same surplus during the 1955 and 1956 marketing years, as they were in 1954, it is expected that price support activity will continue on about the same level for the 1955 and 1956 crops as for the 1954 crop. It is now estimated that farmers will place about 8 million bushels of flaxseed under loan and about 3 million bushels under purchase agreement, during each of the fiscal years 1956 and 1957, roughly the same as during the fiscal year 1955. Deliveries to CCC are expected to total about 9 million bushels in each of the fiscal years 1956 and 1957, compared with actual deliveries of 11.7 million bushels in 1955. Redemptions are expected to be a little larger in the next 2 years, because it is felt that farm prices will average close to the effective support levels (the loan less storage costs) and CCC will continue to own or control most of the surplus stocks in the country.

It is expected that CCC inventories of seed will continue to average from 6 to 7 million bushels at the end of each fiscal year. Since domestic consumption of oil is likely to remain fairly constant, this means that CCC will have to dispose of some of its stocks each year by crushing in addition to exporting 5 to 6 million bushels per year as seed, and 3 to 4 million bushels per year as oil, at world prices.

BASIS OF ESTIMATE

Linseed oil

From the 8 million bushels of flaxseed expected to be acquired from operations of the 1955 crop flaxseed, it is estimated, that CCC will contract to crush 4 million bushels in the fiscal year 1957 thereby acquiring about 80 million pounds of linseed oil. This compares with the contracting to crush 4,545,000 bushels from the 1954 crop and acquiring about 91 million pounds of linseed oil in the fiscal year 1956. It is estimated that CCC will sell all of its acquisitions of 91 million pounds of oil acquired in the fiscal year 1956 prior to June 30, 1956 together with its carryover stocks of 55 million pounds. It is also estimated that the 80 million pounds of oil acquired in 1957 will be sold prior to June 30, 1957.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Naval Stores

SUMMARY OF LATEST OPERATIONS:

Objective: To help maintain adequate supplies and facilitate the orderly distribution of gum naval stores produced in the United States by supporting the level of prices to producers.

Eligibility: Eligible naval stores include (1) processed turpentine meeting prescribed specifications and stored in approved bulk tanks, (2) processed rosin, Federally graded X through I, packed in specified metal drums and placed in approved storage, and (3) the turpentine and rosin content of crude gum stored at processing plants adequately equipped with crude gum storage facilities. Producers may pledge the turpentine and rosin content of stored crude gum, the warehouseman being obligated to process the gum within specified time limits and deliver processed turpentine and rosin equal to or better than the grades and weights on which the loan is based.

Eligible borrowers are producers who are members of the American Turpentine Farmers' Association Cooperative of Valdosta, Georgia, CCC's borrower, and who cooperate in the Department's 1955 Gum Naval Stores Conservation Program or otherwise follow good forestry conservation practices as determined by the Association on the basis of standards established by State and Federal forestry services.

Operations: Loans are governed by an agreement between CCC and the producer association borrower representing about 95 percent of domestic gum production. Loans were available to eligible producers throughout the producing area during, and on production harvested in, the calendar year 1955 and mature July 1, 1956 or earlier on demand. The loan rate is \$129.02 for the naval stores production unit of 50 gallons of turpentine and 1,400 pounds of rosin. This is based on 90% of the parity price of crude pine gum, unprocessed basis, as of December 15, 1954. Initial loan rates are 50 cents per bulk gallon of turpentine and \$7.43 per cwt. of gum rosin, basis grade WG with a rate of 10 cents lower for Grades N, M, K and I, and 10¢ higher for Grades X and WW.

Producers are required to execute an agreement with the Association containing the terms and conditions upon which the loan is made. The Association enters into agreements with warehousemen and assigns such agreements to CCC. Payment of the loan proceeds to the producer is effected by the warehouseman (acting as agent of the Association) making request therefor upon CCC through the Association. Such payments are made by check directly to producers or their designees by the Atlanta Federal Reserve Bank.

Authority: Commodity Credit Corporation Charter Act (15 U.S.C. 714) and the Agricultural Act of 1949 (7 U.S.C. 1447;1421).

BASIS OF ESTIMATE:

Economic Factors: Disappearance of gum rosin and turpentine during the 1956 and 1957 marketing years is expected to be greater than estimated production in line with a long time trend toward greater domestic consumption. In addition, the United States holds the bulk of available world supplies of naval stores and because of increasing worldwide demand, it is anticipated that there will be a ready market. Consequently, a strong market situation is expected to exist in which free stocks will increase and prices will hold an average in excess of loan rates.

Price Support Activity: Because of anticipated favorable prices, producers are expected to use the programs solely as a medium for carrying their output from the flush to the slack season in the hope of realizing a maximum return. Therefore it is expected that all pledges will be redeemed and some reductions in inventory will occur.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Oats

SUMMARY OF IA TEST OPERATIONS:

Objective: To support the price of 1955-crop oats in order to maintain farm income and economic stability.

Eligibility: Eligible commodity is 1955-crop oats produced in Continental U. S. grading No. 3 or better. Eligible participants are producers of 1955-crop oats, who are in compliance with any regulations prescribed by the Secretary governing eligibility for price support.

Operations: Nonrecourse loans ~~are~~ available from about May 15, 1955 through January 31, 1956 and will mature on April 30, 1956 (except that an earlier maturity date may be established for any State by the President or Executive Vice President, CCC) or earlier on demand. The national average support price was 61 cents per bushel, reflecting 70 percent of November 15, 1954 parity price for all oats. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans will be made on a note- and-chattel mortgage basis for farm-stored oats and on a note-and-loan agreement basis for warehouse-stored oats, secured by warehouse receipts.

Purchase agreements are offered to producers from harvest through January 31, 1956. A producer who elects to deliver oats to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date. The producer is ~~not~~ obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949, as amended (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Economic Factors: Acreage, yield, and production of oats from the 1955 crop broke all records. The carryover of 315 million bushels into the 1955 marketing year also was the largest in history, total supplies of nearly 2 billion bushels in this year are 23 percent above the 1949-53 average. Because acreage reduction programs will continue in effect for all 1956 "basic" crops, diverted acres, particularly from wheat and corn, are likely to result in a record 48 million acres planted to oats, which at average yields will produce about 1.5 billion bushels, a near-record crop. Although substantial increases in amounts of oats fed to livestock are in prospect for the next 2 years,

it is estimated that the carry-out will reach 400 million bushels for the 1955 marketing year, and 340 million for 1956 compared with the previous record of 315 million bushels aforementioned. The 5-year 1949-53 average carryover of 266 million bushels of oats might be considered as normal.

Price Support Activity: On December 13, 1954 the Department announced that the national average support level for the 1955 crop of oats would be dropped to 61 cents per bushel, equal to 70 percent of parity, compared with support for the 1954 crop at 75 cents per bushel, 85 percent of parity. This budget estimate assumes the support level for the 1956 crop will continue at 70 percent of parity. With abnormally large production supplies, and carryovers in prospect, unprecedented participation in the support program is expected for both the 1955 and 1956 crops. It is estimated that farmers will place 100 million bushels of the 1955 crop under support, (85 million as loans and 15 million as purchase agreements); and that they will place 80 million bushels of the 1956 crop under support (65 million as loans and 15 million as purchase agreements); compared with 70 million bushels of the 1954 crop placed under support (60 million as loans and 10 million as purchase agreements). Some decline in farmer participation can be expected during the fiscal year 1957, because of the lower prices likely to prevail and the record amounts likely to be fed to livestock.

The bulk of the oats going under the support program is likely to be delivered to the CCC -- an estimated 78 million bushels during the fiscal year 1956 and 59 million during 1957, compared with actual deliveries of 63 during 1955. Despite anticipated increases in both domestic and export sales in the next 2 years, holdings of oats by the CCC are estimated to increase to 66 million bushels by the end of the fiscal year 1956, and to 57 million by the end of the fiscal year 1957, compared with an inventory of 40.5 million bushels at the close of the fiscal year 1955. Oats will continue to be the most difficult of all grains for the CCC to dispose of, except at substantial loss to the government. There is very little export demand for oats as long as other feed grains are available at attractive prices, because of their lightweight, relatively low feeding value, and relatively high shipping costs. If oats must be held in storage for 4 years or so, carrying costs mount up to the point where the equity in the holdings disappears.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Rye

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop rye in order to maintain farm income and economic stability.

Eligibility: Eligible commodity is rye produced in Continental U. S. in 1955 and grading No. 2 or better, or grading No. 3 or No. 4 on the factor of test weight only, containing not more than 1% ergot.

Eligible participants are producers of 1955-crop rye, who are in compliance with any regulations prescribed by the Secretary governing eligibility for price support.

Operations: Nonrecourse loans are available from about May 15, 1955 through January 31, 1956 and will mature on April 30, 1956 (except that an earlier maturity date may be established for any State by the President or Executive Vice President, CCC) or earlier on demand. The national average support price will be \$1.18 per bushel which is 70 percent of November 15, 1954 parity price for all rye. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans will be made on a note-and-chattel mortgage basis for farm-stored rye and on a note-and-loan agreement basis secured by warehouse receipts for warehouse-stored rye.

Purchase agreements are offered to producers from harvest through January 31, 1956. A producer desiring to deliver rye to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending on the applicable loan maturity date. The producer is not obligated to sell any specified quantity; however, the number of bushels specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949, as amended (7 USC 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Economic Factors: Normally 40 to 50 percent of the acreage planted to rye is harvested as grain. Because of the acreage reduction programs in effect on all "basic" crops, particularly wheat, production from the 1956 crop of rye is expected to be relatively large, about 26 million bushels, from an estimated 2.1 million acres harvested as grain, at average yields. This would be somewhat less than the 28.4 million bushels harvested from the 1955 crop, from about the same acreage, at above-average yields.

With an abnormally large carry-in of 18 million bushels expected in the 1956 marketing year and anticipated imports of 3.4 million bushels (limited under the provisions of Section 22 of the Agricultural Adjustment Act.), supplies in this year are likely to total above 47 million bushels-- about the same as for the 1955 crop year--the largest since 1944. Domestic consumption in the 1956 marketing year is expected to increase only moderately over other recent years; and exports are not likely to exceed 6 million bushels in any year, practically all of which will be from CCC stocks. Carry-over stocks at the end of the 1956 crop year are estimated at 16 million bushels, about the same as in 1954, well above the 1949-53 average of 6.6 million bushels.

Price Support Activity: On December 13, 1954, the Department announced that the national average support price for the 1955 crop of rye would be dropped to \$1.18 per bushel, equal to 70 percent of parity, compared with support for the 1954 crop at \$1.43, 85 percent of parity. In this budget estimate, it is assumed that the 1956 support level will remain at 70 percent of parity. With continued large production and surplus supplies, and with limited market outlets either at home or abroad, participation in the support program can be expected to be somewhat heavier in the next 2 years compared with the fiscal year 1955. It is estimated that farmers will place 9 million bushels of both the 1955 and 1956 crops under price support (7.5 million as loans and 1.5 million as purchase agreements) compared with 7.3 million bushels of the 1954 crop actually placed under support (6.1 million as loans and 1.2 million as purchase agreements).

It is expected that the major portion of the rye going under support during the next 2 years will be delivered to the CCC, as happened in the past year. It is estimated that the CCC will acquire 8.6 million bushels of rye in the fiscal year 1956 and 7.5 million in 1957, compared with 8.3 million delivered in 1955. The CCC will find difficulty in disposing of the stocks acquired under support operations, and the Corporation's inventory is likely to increase to an estimated 9.6 million bushels by June 30, 1956, and to 12 million by June 30, 1957, compared with an inventory of 6.5 million bushels as of June 30, 1955. CCC sales are estimated at 5.5 million during the fiscal year 1956 and 5.1 during 1957, compared with 4.3 million in 1955. In all years the bulk of the sales are for export at world prices.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Seeds

SUMMARY OF LATEST OPERATIONS:

Price Support Activity: There have been no support programs for hay and pasture seeds or winter cover crop seeds for the past several crops and operations during the fiscal years 1956 and 1957 will be confined to the disposal of stocks acquired from previous years' support programs. It is estimated that all stocks of winter cover crop seeds will have been sold prior to June 30, 1956, and that the remaining stocks of hay and pasture seeds will be sold prior to June 30, 1957.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Sorghums, Grain

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop grain sorghums in order to maintain farm income and economic stability.

Eligibility: Eligible commodity is grain sorghums produced in Continental U. S. in 1955, grading No. 4 or better, or No. 4 Smutty or better, and containing not more than 13 percent moisture. Eligible participants are producers of 1955-crop grain sorghums, who are in compliance with any regulation prescribed by the Secretary governing eligibility for price support.

Operations: Nonrecourse loans are available from April 1, 1955 through January 31, 1956 and will mature March 31, 1956, (except that an earlier maturity date may be established in any State by the President or Executive Vice President, CCC) or earlier on demand. The national average support price is \$1.78 per cwt., which is 70 percent of November 15, 1954 parity price for all grain sorghums. Temporary recourse loans were available at 80 percent of regular county loan rates for a 90-day period at harvest time in designated areas where adequate storage was not immediately available. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Farm-storage loans will be secured by notes and chattel mortgages and warehouse-storage loans will be secured by notes and loan agreements secured by warehouse receipts.

Purchase agreements are offered to producers from April 1, 1955, through January 31, 1956. A producer desiring to deliver grain sorghums to the Corporation under a purchase agreement must declare his intention to sell within a 30-day period ending March 31, 1956. The producer is not obligated to sell any specified quantity; however, the amount specified in the purchase agreement is the maximum quantity that may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949 as amended (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Economic Factors: Because of acreage reduction programs in effect on the "basic" crops, particularly wheat, the 1956 crop acreage and production of sorghum grains may be the highest in history, even exceeding the previous record acreage and near-record production of 1955. If the estimated 13,350,000 acres should be harvested as grain from this crop, at average yields the output will be about 260 million bushels, 15 percent more than for 1955. With a record carryin of some 74 million bushels in the 1955 marketing year, supplies are expected to total about 301 million bushels, slightly more than the previous record of 294 million in 1950. Although substantial increases in domestic disappearance and exports are in prospect for the next 2 years, it is expected that carry-overs in the 1955 and 1956 marketing years will be the highest in history. The great bulk of the carry-overs in the future, as in the past, is likely to be owned or controlled by the CCC. In fact, "free" stocks need be no larger than 6 or 7 million bushels. This presents grave problems to the CCC in the management and liquidation of sorghum grains taken over under price support operations.

Price Support Activity: On December 13, 1954, the Department announced that the national average support price for the 1955 crop of sorghum grains would be dropped to \$1.00 per bushel (\$1.78 per cwt.) equal to 70 percent of parity, compared with the support price for the 1954 crop of \$1.28 per bushel (\$2.28 per cwt.) which was 85 percent of parity. This budget estimate assumes that the support level for the 1956 crop will continue at 70 percent of parity, which at mid-August 1955 parity would be 98 cents per bushel.

With record-large carry-overs, production, and supplies in prospect, very heavy participation in the support program is indicated for both the 1955 and 1956 crops despite estimated increases in feeding and exports. It is estimated that farmers will place 115 million bushels of the 1955 crop under support during the fiscal year 1956 (110 million as loans and 5 million as purchase agreements) and that they will place 120 million bushels of the 1956 crop under support in the fiscal year 1957 (115 million as loans and 5 million as purchase agreements) compared with 114 million bushels of the 1954 crop actually placed under support (110.4 million as loans and 3.5 million as purchase agreements). It is expected that the major portion of the sorghum grains going under support will be delivered to the CCC--about 107 million bushels during each of the fiscal years 1956 and 1957, compared with actual deliveries of 110.3 million in 1955. It is estimated that the CCC inventory will reach the unprecedented volume of 122 million bushels of sorghum grains by June 30, 1956, and 149 million bushels by June 30, 1957, compared with actual holdings of 92.2 million as of June 30, 1955. This is likely to happen despite the stepped-up sales and donations which CCC is expected to make--totalling 78 million bushels during the fiscal year 1956 and 81 million in 1957, compared with actual disposals of 47.4 million bushels in 1955 (34.6 million as sales, mostly export, and 12.8 million as donations, mostly thru the drought-relief program in the Southwest.)

Relatively little sorghum grains are farm stored, i.e., the bulk of it is stored in commercial elevators and warehouses. It is a difficult grain to hold in storage more than a year without going out of condition because of the moisture content often present. It will be the policy of the CCC, therefore, to move its stocks of sorghum grains as soon as possible.

PRICE SUPPORT PROGRAM, Other Nonbasic Commodities

Soybeans

SUMMARY OF LATEST OPERATIONS:

Objective: To support the price of 1955-crop soybeans in order to keep this year's acreage in approximate balance with production needs without resort to acreage allotments and to promote orderly marketing.

Eligibility: Eligible commodity is soybeans produced in Continental U. S. having moisture content not in excess of 14 percent and grading No. 4 or better on all other factors, and meeting in a manner determined by the President or Executive Vice President, CCC sanitation requirements of the Food and Drug Administration in effect at time loan is made or delivery made to CCC under purchase agreement. Eligible participants are producers of 1955-crop soybeans.

Operations: Nonrecourse loans are available from harvest (about August 15, 1955) through January 31, 1956, maturing May 31, 1956 (except that an earlier maturity date may be established in any State by the President or Executive Vice President, CCC) or earlier on demand. The national average support price is \$2.04 per bushel, 70 percent of February 15, 1955 parity. Loans may be obtained from approved lending agencies or direct from the Corporation through the Agricultural Stabilization and Conservation County Committees. Loans are made on a note-and-chattel mortgage basis for soybeans stored in approved farm-storage structures and on a note-and-loan agreement basis secured by warehouse receipts when place of storage is an approved public warehouse.

Purchase agreements are available to producers from harvest through January 31, 1956. A producer desiring to deliver soybeans to the Corporation under a purchase agreement must so declare his intentions within a 30-day period ending May 31, 1956, or on such earlier date as may be determined by the Corporation. A producer is not obligated to deliver any specified quantity of soybeans to CCC; however, the number of bushels specified in the purchase agreement is the maximum quantity which may be delivered.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Titles III and IV of the Agricultural Act of 1949, as amended (7 U.S.C. 1447-1449, 1421-1431).

BASIS OF ESTIMATE:

Economic Factors: The steady upward trend in soybean production during recent years was greatly accelerated beginning with the 1954 crop, largely the result of farmers using acreage diverted from corn, wheat and cotton because of production-adjustment programs in effect on the "basic" crops. Production from the 1956 crop is estimated at a record 390 million bushels, from a record 18.5 million acres harvested as beans, at average yields. Production from the 1955 crop was estimated at the time this budget was prepared at 372 million bushels, from 18.4 million acres, at approximately average yields. Production for 1954 was 343 million bushels from 17 million acres. There have not been any imports during late years and none are expected in the next 2 years. In past years, nearly all U. S. supplies of soybeans have been crushed or exported within the years in which they were produced, and carry-overs usually have been very small. The carry-over on October 1, 1954, reached the very low level of 1.3 million bushels. Present indications are the carryin for the 1956 marketing year may be as high as 20 million bushels in which case the supply for this year would total a record 407 million bushels. With record supplies in prospect for both the 1955 and 1956 marketing years, it is likely that the crushing industry will operate at near-capacity. Exports may total as much as 75 million bushels in the 1955 marketing year and 90 million bushels in 1956. Even so, soybeans are likely to be in significant surplus supply during the next 2 years for the first time in history.

Price Support Activity: Under conditions outlined above, the impact on the price support program is likely to be rather heavy in the next 2 years.

On March 16, 1955, the Department announced that the national average support price on the 1955 crop of soybeans would be dropped to \$2.04 per bushel, equal to 70 percent of parity, compared with support for the 1954 crop at \$2.22 per bushel, 80 percent of parity. This budget estimate assumes that the support level for the 1956 crop will be continued at 70 percent of parity, which at mid-August 1955 parity would be \$2.01 per bushel.. Despite the large supplies in prospect, it is estimated that farm prices in the next 2 years will average close to support levels. In the 1954 marketing year farm prices averaged 30 cents per bushel above the support level. Nevertheless, farmers placed substantial amounts of soybeans under price support in the fiscal year 1955, and they can be expected to increase their use of the support program in the next 2 years. This is expected largely because market prices traditionally fall considerably below the support level for a few months at harvest time, even when supplies are in balance with requirements, and producers are inclined to take out loans and sign purchase agreements early in the year in order to protect themselves. When market prices strengthen later in the year as they normally do, it is customary for redemptions on loans and cancellations on purchase agreements to be high-higher than for any other crop.

It is estimated that producers will place 55 million bushels of the 1955 crop under price support (50 million as loans and 5 million as purchase agreements) and that they will place 55 million of the 1956 crop under support (50 million as loans and 5 million as purchase agreements), compared with 41.8 million bushels of the 1954 crop placed under support (38.2 million as loans and 3.2 million as purchase agreements). Repayments are expected to be rather high in the next 2 years, slightly higher than during the fiscal year 1955. It is estimated that deliveries from both the 1955 and 1956 crops will amount to approximately 26 million bushels, about twice as much as the 13.2 million actually acquired from the 1954 crop. The CCC inventory on June 30, 1955 was 7.8 million bushels and all of this was sold in domestic and export markets prior to October 1, 1955. It is estimated that the CCC inventory on June 30, 1956, will be 19.5 million bushels, and that it will be 19 million bushels on June 30, 1957. The inventories are fairly large at the beginning of each fiscal year because deliveries generally are completed by then and the CCC has not had the opportunity then to dispose of its newly-acquired stocks. CCC sales are estimated at 13.5 million bushels in the fiscal year 1956 (9 million domestic and 4.5 million export), and 26.5 million bushels in the fiscal year 1957 (12 million domestic and 14.5 million export.)

To date soybeans have not been determined to be surplus for purposes of Public Law 480. In this budget estimate it is assumed that no P. L. 480 sales will be made in either of the fiscal years 1956 or 1957.

PRICE SUPPORT PROGRAM, Barter and Exchange

SUMMARY OF LATEST OPERATIONS:

Objective: To dispose of CCC-owned agricultural commodities by means of barter or exchanges for (1) strategic and critical materials intended for incorporation into the national stockpile and CCC's own account; (2) non-strategic materials required for overseas supply programs of other government agencies; and (3) materials required for off-shore construction programs.

Eligibility: Materials designated as strategic and critical must have been so designated by the Office of Defense Mobilization or its predecessor, pursuant to Sec. 2 of the Strategic and Critical Materials Stockpiling Act of 1946 (Public Law 520, 79th Congress) and must have been produced abroad. Non-strategic materials acquired are those which other government agencies require to meet overseas supply and construction program commitments. Such agencies must have designated the kind, quality, schedule of delivery and other conditions involved in the procurement and these agencies, or their government procurement agent, must have agreed to accept the materials. Strategic materials procured by the Commodity Credit Corporation will be those types of materials designated by ODM as required to meet short, long term, or supplemental stockpile objectives and be such that the domestic economy will not be adversely affected by the acquisition and such that CCC's assets will be protected and result in savings in carrying charges as compared with cost of carrying surplus agricultural commodities. (Public Law 480, Sec. 303)

Operations: It has been the policy of the CCC to limit consideration of barter offers to those materials required and/or designated by other government agencies. Consequently, the acquisition of strategic and critical materials has been within ODM's stockpile objectives both as to types and quantities. Barter procurement of nonstrategic materials has been effected against specific requirements of such materials by other government agencies primarily for off-shore use. Minimum and long-term stockpile type strategic materials are transferred to ODM with reimbursement to the CCC while supplemental stockpile type strategic materials are retained in CCC inventories. In the case of nonstrategic materials, the CCC is reimbursed for the materials procured upon delivery to the agency concerned.

In a particular barter operation, the exchange value of the transaction is fixed in a contract between the offeror of the materials and the CCC. This exchange value determines quantities to be delivered of both the materials and the agricultural commodities which must be subsequently exported by the contractor. Since the price for the materials is also fixed in the contract, the quantity of materials to be delivered is determined at this point. The contract price for materials is the best

offer received, not to exceed the current market price, accepted only after full consultation with materials experts of either G.S.A. or other agencies. In the case of the agricultural commodities, however, the contractor may generally take whatever commodities are available from CCC inventories at export prices generally applicable for such commodities at any time within the life of the contract, total quantities determined by the exchange value fixed in the contract.

The barter program of the Commodity Credit Corporation operates through private U. S. firms using commercial trade channels, but can be operated directly with foreign governments where it is not practicable to carry out the barter through private trade channels.

Authority: The Commodity Credit Corporation Charter Act, as amended Section 4(h) insofar as strategic and critical materials are concerned; Section 5(i) of this Act insofar as other than strategic materials are concerned; and Public Law 480, especially Sec. 303, and Public Law 690, 83rd Congress.

BASIS OF ESTIMATE:

Under the CCC Charter Act, as amended, and Title III of Public Law 480, 83d Congress, the Corporation is continuing to barter and exchange its holdings of agricultural surpluses for foreign produced strategic and critical materials and other materials, goods and equipment for use by other Government agencies. Because of uncertainties inherent in the barter program such as stockpile needs, requirements of other Government agencies, and availability of funds by such agencies it is virtually impossible to forecast future barter operations. For budgetary purposes, however, it is estimated that transactions involving an acquisition value of \$201 million will be consummated during the fiscal year 1956 and \$302 million during 1957 compared with \$71 million for 1955. Disposition of these acquisitions are estimated at \$75 million during each of the fiscal years 1956 and 1957, compared with \$22 million in 1955, and the balance in inventory will be disposed of in subsequent years.

PRICE SUPPORT PROGRAM, 1955 Emergency Feed Program

SUMMARY OF LATEST OPERATIONS:

Objective: To provide feeds at reduced prices to farmers and ranchers for maintaining their basic herds of cattle, sheep and goats in designated disaster areas.

Eligibility: CCC-owned feed grains (corn, grain sorghums, oats and barley) which have been acquired under the price support program.

Recipients are farmers and ranchers of declared disaster areas, whose eligibility is established by the local Farmers Home Administration County Committee.

Operations Emergency feed is available to eligible farmers and ranchers during fiscal year 1956 at a reduced cost in the area where the grain is distributed. The rate of assistance will be \$1.00 for each cwt. of designated surplus feed purchased up to amount approved by FHA county Committee.

A farmer or rancher in a designated drought county who desires to participate in the program makes application to his local Farmers Home Administration county committee. This committee determines his eligibility and the amount of feed grain he can obtain under the special provisions of the program. Approval is granted on the basis of individual need within the objectives of the program, and is limited to the supplemental supplies needed for a fixed period of time.

The farmer or rancher then gets from his local county Agricultural Stabilization and Conservation Committee a "purchase order" indicating the approved quantity of grain he is eligible to buy under the provisions of the program. He buys from a local feed dealer, in effect using his purchase order to pay part of his bill - \$1.00 on each hundredweight. He buys from stocks the dealer has on hand, and at the prevailing local market prices - except that his purchase order covers part of the cost. In cases where dealers are unwilling or unable to participate in this program in any area, surplus stocks of CCC feed grains are made available to eligible farmers or ranchers at a cost comparable to that which they would otherwise pay under this authorization. Facilities of county ASC offices are used in making such distribution.

The producer obtains the approved quantity of feed grain from his dealer in the form of whole grain (corn, grain sorghums, oats, or barley), or if he wishes he can get the same amounts of these grains as part of mixed feed. The approved mixed feeds are mixed feed A which must contain at least 75 percent by weight of designated surplus feed grain(s) or mixed Feed B which must contain at least 60 percent by weight of designated surplus feed grain(s). The mixed feed must be appropriately labelled by the manufacturer, and show the percentage of designated surplus feed grains contained therein.

The dealer must certify delivery of the feed grain to the farmer or rancher, and the latter must also certify his receipt of the amount specified. With these requirements met, the dealer then receives from the local county ASC Committee a "dealer's certificate" in terms of dollars. The value of this certificate is the number of hundredweights of the designated grain actually delivered to the producer (up to the maximum authorized by the purchase order) multiplied by the \$1.00 per hundredweight.

The dealer can use the certificate (good for a period of 120 days from date of issuance) to buy designated CCC-owned surplus feed grains. He can buy either directly from CCC (through area Commodity Offices of the Commodity Stabilization Service or from "bin sites" where grain is stored locally in CCC's own facilities), or indirectly through his regular supplier. The prevailing market price at the time of purchase is used in determining the quantity of CCC grain to be delivered against the certificates.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), P. L. 875 (42 U.S.C. 1855); and Sec. 407 of the Agricultural Act of 1949 as amended by Section 301 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Congress).

BASIS OF ESTIMATE:

It is impossible to accurately forecast the extent to which Commodity Credit Corporation stocks will be used for this program, but for budgetary purposes it is estimated that total donations of 8.4 million bushels of corn, oats, barley and grain sorghums valued at \$14,992,000 will be involved in the 1955 program during fiscal year 1956. No estimate has been made for fiscal year 1957.

SUPPLY AND FOREIGN PURCHASE PROGRAM

SUMMARY OF LATEST OPERATIONS:

Objective: To procure agricultural commodities in the United States and abroad to meet the needs of United States Government agencies (principally those administering relief programs abroad), cash-paying foreign governments, international relief agencies, and domestic requirements. The production or stockpiling of agricultural commodities under Sections 303 and 304 of the Defense Production Act of 1950 is also carried out under this program.

Operations: Procurement for this program is usually made during peak marketing seasons and is closely coordinated with the price support program to provide the maximum benefit to American agriculture. Transfers to claimants are at prices designed to reimburse the Corporation for all costs incident to carrying out the program.

Generally, purchases are made at the best price obtainable at either an announced price or on an offer-and-acceptance basis in quantities, although purchases may also be made under formal competitive bids.

Purchases for any claimant, other than a Federal Government agency, require (1) a firm requisition or a firm contract from the claimant and (2) a deposit with the Treasurer, Commodity Credit Corporation, of cash or its equivalent, or other acceptable financial arrangements. Purchases for Federal agencies require a written order constituting a firm obligation. Purchases may be made in advance of firm commitments and prior to deposit of cash only upon specific authorization of the Board of Directors when it is anticipated that no risk of loss is involved. In addition, the Board of Directors may authorize the purchase and stockpiling of commodities in the interest of national security.

The defense production activities include a program to encourage and develop sources of supply of castor beans within the Continental United States and to insure a supply of castor beans, oil, and planting seed for industrial uses and stockpiling in connection with national defense.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; Act of July 16, 1943 (15 U.S.C. 713a-9); sections 303 and 304 of the Defense Production Act of 1950, as amended (Public Law 774 approved September 8, 1950; Public Law 96 approved July 31, 1951; and Public Law 429 approved June 30, 1952).

BASIS OF ESTIMATE:

The activities now carried on are procurement of commodities for the International Cooperation Administration and other government agencies, and initial financing of certain programs authorized under the Defense Production Act to assure adequate supplies of strategic and critical materials. Total acquisitions and carrying charges are estimated at \$10,850,930 in the fiscal year 1957 compared with an estimated \$25,606,157 for 1956 and actual acquisitions of \$17,110,843 during 1955. The estimated increase for 1956 over 1955 results from increased purchases for the International Corporation Administration and with respect to sugar and frozen beef, and the estimated net decrease for 1957 primarily reflects a decrease in acquisition of these commodities and decreased activity under the Defense Production Operations. Under the latter operations, inventories of castor beans and oil are being held beyond fiscal year 1957 and stocks of American Egyptian cotton will be sold by the end of fiscal year 1957. Total dispositions are estimated to total \$20,540,330 for the fiscal year 1957 compared with \$30,159,208 estimated for 1956 and actual dispositions of \$57,983,119 during 1955.

STORAGE FACILITIES PROGRAM

SUMMARY OF LATEST OPERATIONS:

Objective: To provide adequate storage facilities for CCC-owned and producer-owned commodities; to assist producers in financing the construction or purchase of suitable farm-storage facilities; to encourage the construction of needed commercial storage facilities; and to assist producers in financing the purchase of suitable mobile drying equipment to facilitate safe farm storage.

Operations: Bins and granaries were bought by the Corporation on an offer-and-acceptance basis and are located only in areas where it is determined that existing privately-owned storage facilities are not adequate. Depreciation and other costs of maintaining the structures and handling and conditioning grain stored therein are reflected as carrying charges on the commodities stored.

Storage use guarantees were negotiated under agreements with commercial firms, including cooperatives, operating under the Uniform Grain Storage Agreement, who agreed to construct additional storage capacity for grains and oilseeds. Optional plans provided for guarantees of (1) 75% occupancy for a period of 3 years, to be reduced to 40% for the next 2 years; (2) 60% occupancy for 5 years; and (3) 50% occupancy for 6 years. The Corporation fulfills the guarantee, either by actual storage of CCC-owned commodities, or by making a payment. CCC has the option to require warehousemen to reserve space for storage up to the maximum amount of the occupancy guarantee level. The annual rate per bushel for unused space under the guarantee is 75% of the applicable annual area rate under the Uniform Grain Storage Agreement for wheat for the year the occupancy did not reach guarantee level. Applications for new storage agreements were accepted until April 30, 1955 for storage capacity which was to be ready for occupancy by June 1, 1955.

Recourse loans are made to producers, either through approved lending agencies or by the Corporation, for financing the construction or purchase of suitable farm-storage facilities. Loans are for a maximum period of four years, payable in equal annual principal payments, with interest at the rate of 4% on the unpaid balance. The maximum amount to be loaned on any new farm-storage facility is 45 cents per bushel of capacity (\$30 per ton of cottonseed capacity), provided that such maximum amount does not exceed 80% of the cost incurred. Loans are secured by chattel mortgage on the storage facility, real estate mortgage, deed of trust or other security instrument depending upon the type of structure and the amount of the loan. Any past-due payable or pre-payable installment may be deducted and paid out of any amounts due the borrower on any program carried out by the Department of Agriculture.

Recourse loans are made to producers, either through lending agencies or by the Corporation, for financing the purchase of mobile drying equipment. Loans are for a maximum period of three years, payable in equal annual principal payments beginning on the first anniversary date of disbursement of the loan, with interest at the rate of 4% per annum on the unpaid balance. The maximum amount to be loaned on mobile drying equipment is 75% of the delivered cost. Loans are secured by chattel mortgages. The Corporation may prepay, or require the borrower to prepay, the amount of any annual installment out of the proceeds from any price support loan or purchase agreement due the borrower within 12 months preceding the date on which the installment falls due. Any past-due installment may be deducted and paid out of any amounts due the borrower on any program conducted by the Department of Agriculture.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly sections 714b and c thereof.

BASIS OF ESTIMATES:

CCC storage capacity was increased by 106 million bushels early in fiscal year 1955 in order to get 1954 crops under cover. Based on the current storage outlook and taking into consideration increased commercial and farm storage becoming available, it is estimated that a further increase of 100 million bushels in CCC storage capacity may be necessary during fiscal year 1956 to house 1955 crops. While it is difficult to foresee what storage availability and requirements for the fiscal year 1957 will be, it has been estimated for budgetary purposes that an additional 100 million bushels of CCC storage capacity may be necessary by that time. In order to provide adequate farm storage facilities in the fiscal years 1956 and 1957 it is estimated that the Corporation will be required to make loans on facilities having a capacity of 60 and 54 million bushels, respectively, as compared with loans on a 71 million bushel capacity made during fiscal year 1955.

Loans made to finance mechanical driers totalled \$408,712 for the fiscal year 1955 and are expected to total \$350,000 and \$300,000 during each of the fiscal years 1956 and 1957, respectively.

In order to encourage the construction of adequate commercial storage and minimize the necessity for CCC-owned storage facilities, the Corporation enters into storage use guarantee agreements. It is estimated that the capacity of agreements outstanding at the end of the fiscal years 1956 and 1957 will be 161 million and 150 million bushels, respectively, compared with occupancy agreements in effect on June 30, 1955, for a 168 million bushel capacity. The net cost to Commodity Credit Corporation in fulfilling its obligations under the use guarantees represents the payment of 75 percent of the annual applicable storage rates for unused space under agreements. These costs are estimated at \$350,000 and \$325,000 for the fiscal years 1956 and 1957, respectively, compared with an actual cost of \$39,615 for fiscal year 1955.

COMMODITY EXPORT PROGRAM

The following summaries cover the major commodity export programs which the Corporation anticipates will be required during each of the fiscal years 1956 and 1957 and the bases for such estimates.

Wheat and Wheat Flour Exports Pursuant to The International Wheat Agreement

SUMMARY OF LATEST OPERATIONS:

Objective: to encourage exportation of wheat and wheat flour to participating importing countries and at the same time exercise the rights, obtain the benefits, and fulfill the obligations of the United States under the International Wheat Agreement.

Eligibility: Importing countries that have approved the International Wheat Agreement are eligible to purchase wheat and wheat flour equivalent produced in the United States at specified prices. The wheat and wheat flour may be sold by the CCC or by commercial exporters.

Operations: There are two types of activities under this operation:

- (1) Sale of wheat acquired under the price support program and wheat and wheat flour acquired under the supply program which the Corporation determines to be eligible for recording against the guaranteed quantities of the United States Government and the importing countries under the International Wheat Agreement. Sales are made at prices not in excess of the maximum equivalent price provided in the International Wheat Agreement. Sales prices may be determined at the time of sale and in advance of the date of shipment. In addition, purchasers are charged for carrying charges and marketing costs as permitted under the International Wheat Agreement.
- (2) The Corporation is authorized to make payments to commercial exporters of domestic wheat and wheat flour processed therefrom in the United States pursuant to sales to participating countries which the Commodity Credit Corporation determines are eligible for entering in the records of the Wheat Council as sales against the United States export quota.

The payments are made on the basis of published announcements

of the rate for the date or period of sale. Rates are determined on the basis of the relationship between current domestic market prices and current prices equivalent to the International Wheat Agreement basic maximum price of 2.05 per bushel for No. 1 Manitoba Northern wheat in bulk at Fort William and Port Arthur. Since the exact cost of operations under the Agreement cannot be determined until the end of any fiscal year, the International Wheat Agreement Act of 1949, as amended, authorizes the Corporation to use its general borrowing authority to pay current obligations and then request the Congress to provide funds to reimburse the Corporation for any losses incurred under this program. Pending such reimbursement, the Corporation is authorized to establish the net costs of operations under the Agreement as an account receivable.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714c), particularly section 714c thereof; and Section 2 of the International Wheat Agreement Act of 1949, as amended, (7 U.S.C. 1641-1642).

BASIS OF ESTIMATE:

The budget estimate assumes that approximately 140 million bushels will be exported in fiscal year 1956. The net cost of such exports to the Government, including administrative costs and interest to the date of recovery by the Commodity Credit Corporation, is estimated at 87,183,225 in fiscal year 1956. The domestic price, converted to an f.o.b. ocean vessel basis and weighted according to the quantities expected to be exported from the various U. S. ports, is estimated to be 2.26 in fiscal year 1956. The weighted average price at which it is estimated wheat will be sold under the agreement is 1.66 per bushel. The estimated cost, per bushel, under the International Wheat Agreement operations of 60 cents, in fiscal year 1956 represents the difference between the estimated domestic price and the weighted average selling price under the Agreement.

During the fiscal year 1955 a total of 131,567,381 bushels of wheat were exported under the Agreement. An appropriation is being requested in the 1957 Budget estimates in the amount of 101,130,155, to reimburse the Corporation for its net unrecovered costs during fiscal year 1955 charged to the International Wheat Agreement, and interest through June 30, 1956. The International Wheat Agreement of 1953 expires July 31, 1956 therefore, operations and costs in the fiscal year 1957 are dependent upon the terms of any agreement which may be entered into to cover this program after that date.

COMMODITY EXPORT PROGRAM, Wheat Export

SUMMARY OF LATEST OPERATIONS:

Objective: To institute a program designed to obtain for the United States a reasonable share of the world export wheat and wheat flour market.

Eligibility: Eligible commodity is CCC-owned wheat offered for sale to the export trade for export as wheat or flour. Persons buying the wheat for export will be required to give evidence of export sales and certify that the wheat will not be substituted for International Wheat Agreement exports. Sales of wheat will not be eligible for International Wheat Agreement subsidy and will not be eligible for application to any country's guaranteed purchases under the International Wheat Agreement.

Operations: Under this program wheat is offered to the export trade for export as wheat or flour, in addition to exports under the International Wheat Agreement, at competitive prices below domestic market price but not below the applicable International Wheat Agreement price.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o), particularly section 714c thereof; and Section 407 of the Agricultural Act of 1949.

BASIS OF ESTIMATE:

In order to increase the exports of U. S. wheat and flour by regular U. S. exporters and to maintain the U. S. position in the world wheat market at competitive world prices, CCC has offered to sell a limited quantity of CCC-owned wheat for export in addition to wheat moving under the International Wheat Agreement.

A total of 64,147,665 bushels of wheat was exported under this program during the fiscal year 1955, and it is estimated that 50,000,000 bushels of wheat will be so exported during each of the fiscal years 1956 and 1957, valued at \$105,000,000 and \$92,500,000, respectively.

COMMODITY EXPORT PROGRAM, Sales for Foreign Currencies

SUMMARY OF LATEST OPERATIONS:

Objective:

- (a) To make available for sale to domestic exporters for foreign currencies surplus agricultural commodities acquired or to be acquired by the Commodity Credit Corporation in the administration of its price support operations, and
- (b) Make available funds to finance the sale and exportation of surplus commodities whether from private stocks or from stocks of the CCC.

Such foreign currencies will be used to expand international trade, to encourage economic development, to purchase strategic materials, to pay U. S. obligations abroad, to promote collective strength, and to foster in other ways the foreign policy of the U. S. Appropriations not to exceed \$1,500,000,000 are authorized to reimburse the CCC for its unrecovered costs.

Eligibility: Surplus agricultural commodities are defined as any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the U. S., either privately or publicly owned which is or may be reasonably expected to be in excess of domestic requirements, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture.

Operations:

- (1) After a formal agreement has been entered into with a foreign government, the Foreign Agricultural Service will issue to that country, upon its application, purchase authorizations specifying the kinds, approximate quantities, and maximum dollar values of the commodities and the conditions under which purchases may be made. At the same time, FAS issues a public announcement containing details of the authorizations and other information that United States suppliers will need in making sales to the foreign importers. The announcement indicates whether U. S. suppliers will be required to purchase CCC stocks in order to participate.

(2) U. S. suppliers and foreign importers will then negotiate sales and enter into contracts in which the sales price will be expressed in U. S. dollars.

(3) Normal commercial procedures, based largely on letters of credit, are followed in carrying out the contracts: (a) Importers pay for commodities in local currency through their local banks; (b) Suppliers are paid in dollars by U. S. banks with which the foreign banks have established dollar letter of credit arrangements; (c) The U. S. banks are reimbursed by CCC and (d) the foreign currency is deposited to the account of the U. S. Government in accordance with arrangements made between the governments of the United States and the importing country.

CCC will issue contract announcements containing the terms and conditions governing purchase by U. S. suppliers of commodities from CCC stocks. The announcement also specifies the financial arrangements which must be made in order to purchase the commodities from CCC stocks.

Authority: Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714-714o) and the Agricultural Trade Development and Assistance Act of 1954, Title I (Public Law 480, 83rd Congress, approved July 10, 1954, and Public Law 387, 84th Congress, approved August 12, 1955).

BASIS OF ESTIMATE:

During the fiscal year 1956 it is estimated that 3,108,846 long tons of surplus agricultural commodities will be sold for foreign currencies at a cost to the Commodity Credit Corporation of \$737,708,805. In the fiscal year 1957 it is estimated that 3,229,696 long tons of commodities will be sold at a cost of \$556,031,163.

It is estimated that the CCC will be reimbursed by other U. S. government agencies for acquisition of foreign currencies in the amount of \$10 million in fiscal year 1956 and \$25 million in fiscal year 1957.

SPECIAL ACTIVITIES, Loan to Secretary of Agriculture

SUMMARY OF LATEST OPERATIONS:

Objective: To provide funds for the purchase of conservation materials and services from January 1 to June 30 of each year in advance of the appropriations therefor.

Operations: The Corporation is required to lend to the Secretary of Agriculture, such sums, not to exceed \$50,000,000 as are required during each fiscal year, to make advances pursuant to the applicable provisions of sections 8 and 12 of the Soil Conservation and Domestic Allotment Act, as amended, in connection with programs applicable to crops harvested in the calendar year in which such fiscal year ends. Repayment of the loan plus interest at a rate equal to the cost of money to the Corporation is made as soon as practicable in the succeeding fiscal year from appropriated funds.

Authority: Section 5 (g) of the Commodity Credit Corporation Charter Act, (15 U.S.C. 714c) and section 391 (c) of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1391).

BASIS OF ESTIMATE:

In 1955, a total of \$43,450,000 was loaned under this authority; it is estimated that the same amount will be loaned in 1956 and 1957.

SPECIAL ACTIVITIES, Transfers for Eradication of Foot-and-Mouth and
Other Contagious Diseases of Animals

SUMMARY OF LATEST OPERATIONS

Objective: To provide funds for eradication activities under the appropriation, "Foot-and-Mouth and Other Contagious Diseases of Animals and Poultry" as emergency needs arise.

Operations: Upon determination that an emergency threatens the livestock industry of the country, the Secretary of Agriculture is authorized to transfer from other appropriations or funds available to the bureaus, corporations, or agencies of the Department, such sums deemed necessary to alleviate the emergency. Under this authority, transfers of CCC funds not to exceed \$2,050,000 for the vesicular exanthema eradication program were authorized on June 10, 1955. Transfers have been made in prior years for the eradication of foot-and-mouth disease in Mexico, and the Corporation has recovered the amounts transferred plus interest through fiscal year 1954.

Authority: Section 5 (g) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c), and the Department of Agriculture and Farm Credit Administration Appropriation Act, 1956 (P.L.40--84th Congress).

BASIS OF ESTIMATE:

The estimates of the Agricultural Research Service provide for an appropriation of \$1,269,330 to repay to the Corporation the amount of advances plus interest for expenses related to the eradication of foot-and-mouth disease in Mexico in the fiscal year 1955. Transfers under this authority in 1956 for the eradication of vesicular exanthema of swine are estimated at \$1,967,587 with repayment with interest to be effected through a subsequent appropriation.

SPECIAL ACTIVITIES, Transfers for Eradication of Brucellosis in Cattle

SUMMARY OF LATEST OPERATIONS:

Objective: To provide funds for use in stabilizing the dairy industry and further suppressing and eradicating brucellosis in cattle.

Operations: The Secretary of Agriculture is authorized to transfer to the Agricultural Research Service from Corporation funds not to exceed \$15,000,000 annually for two years, 1955 and 1956. The funds are used to accelerate the brucellosis eradication program. Annual appropriations will reimburse the Corporation for expenditures under this item.

Authority: Commodity Credit Corporation Charter Act, (15 U.S.C. 714 - 714o), Section 204 (e) of the Agricultural Act of 1954, (P.L. 690, 83rd Congress), and the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955 (P.L. 437, 83rd Congress).

BASIS OF ESTIMATE:

Under this authority, transfers of funds of \$11,558,697 were made in 1955 and it is estimated that \$15,000,000 will be transferred in 1956. Repayment of the amount advanced in 1955 plus interest, amounting to \$11,791,624, is requested in the estimates of the Agricultural Research Service.

SPECIAL ACTIVITIES, Transfers for Cotton Classing and Tobacco Grading

SUMMARY OF LATEST OPERATIONS:

Objective: To provide additional funds for classing cotton and grading tobacco without charge to producers.

Operations: Each year the Agricultural Marketing Service receives an advance of nonadministrative funds of the Corporation to supplement appropriated funds available for grading tobacco and classing cotton without charge to producers. The portion of this amount which is attributed to cost of classing or grading commodities placed under price support is borne by the Corporation. The Corporation is reimbursed (with interest) by subsequent appropriations for the cost of such service for commodities not placed under price support.

Authority: Department of Agriculture Appropriation Acts, 1950 and 1952 (7 U.S.C. 440, 444a).

BASIS OF ESTIMATE:

During fiscal year 1955 advances were made under this authority in the amount of \$1,241,000. The estimates of the Agricultural Marketing Service include provision for the Corporation to be reimbursed in the amount of \$367,740 for the cost of grading and classing of those commodities not going under loan.

It is estimated that advances for this purpose to be made by the Corporation in 1956 and 1957 will amount to \$1,705,500 in each year and the amounts to be reimbursed by appropriations in 1958 and 1959 will be \$255,128 and \$436,510, respectively.

SPECIAL ACTIVITIES, Transfer of Hay and Pasture Seeds

SUMMARY OF LATEST OPERATIONS:

Objective: To make available surplus hay and pasture seeds to the Forest Service, Department of Agriculture; the Fish and Wildlife Service and the Bureau of Land Management, Department of the Interior for the purpose of seeding grazing lands administered by these agencies.

Eligibility: Surplus hay and pasture seeds acquired by the Commodity Credit Corporation under the price support program. The kinds and quantities of seeds transferred to these agencies are subject to determination of availability and surplus supply by the Commodity Credit Corporation.

Operations: The Commodity Credit Corporation provided for the transfer of hay and pasture seeds acquired under the price support program to the Forest Service, Department of Agriculture; Fish and Wildlife Service, and the Bureau of Land Management, Department of the Interior. Public Law 524, 83d Congress, approved July 26, 1954; appropriated a total of \$145,000 for use by these agencies to defray the costs of transporting and seeding grazing lands administered by them. The Act also authorized the appropriation of funds to reimburse the Commodity Credit Corporation for its investment in the seeds transferred.

Authority: Public Law 524, 83rd Congress (68 Stat. 529) approved July 26, 1954.

BASIS OF ESTIMATE:

The Commodity Credit Corporation transferred during the fiscal year 1955, hay and pasture seeds from its stocks to Federal land-administering agencies. The Corporation's Investment in the seed transferred, including estimated interest through June 30, 1956 is estimated to be \$184,678. The estimates propose an appropriation to reimburse the Corporation for this amount. Fiscal year 1955 was the first year in which this program was operative, and no further activity is contemplated under this program.

SPECIAL ACTIVITIES, Emergency Famine Relief to Friendly Peoples

SUMMARY OF LATEST OPERATIONS:

Objective: To make available surplus agricultural commodities to the International Cooperation Administration, to enable the President to furnish emergency assistance on behalf of the people of the United States to friendly peoples in meeting famine or other urgent relief requirements, as authorized by law.

Eligibility: Surplus agricultural commodities from stocks of the Commodity Credit Corporation. Surplus agricultural commodities are defined as any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States, which is, or may be reasonably expected to be in excess of domestic requirements, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture.

Such surplus commodities may be transferred (1) to any nation friendly to the United States in order to meet famine or other urgent relief requirements of such nation, (2) to friendly but needy populations without regard to the friendliness of their government, and (3) to assist programs undertaken with friendly governments or through voluntary relief agencies.

Operations: Commodity Credit Corporation will make available from its price support inventory such quantities of surplus commodities as the Director of International Cooperation Administration may request through such period as may be necessary to complete programs of assistance undertaken by ICA prior to July 1, 1957.

Commodity Credit Corporation will incur costs of processing, packaging, handling, and transporting such commodities f.o.b. vessel in United States ports as requested by the Director, I.C.A. The Corporation will be reimbursed from subsequent appropriations for its investment in the commodities including processing, packaging, transportation, and handling costs. Appropriations for this purpose are limited to \$300,000,000.

Authority: Commodity Credit Corporation Charter Act as amended (15 U.S.C 714-714o) and the Agricultural Trade Development and Assistance Act of 1954, (Public Law 480, 83rd Congress, approved July 10, 1954).

BASIS OF ESTIMATE:

During the fiscal year 1955, 575,539 long tons of commodities were provided under this authority at a cost of \$88,628,927. The estimates for 1957 propose an appropriation to reimburse the Corporation in this amount.

During the fiscal year 1956 it is estimated that 547,591 long tons of agricultural commodities at a cost of \$107,335,033 will be provided by the Commodity Credit Corporation to meet famine and other emergency relief requirements of friendly peoples. It is estimated that 522,055 long tons of agricultural commodities will be provided in the fiscal year 1957 at a cost of \$103,255,413.

Operating Results and Retained Earnings

The Corporation's records show that operations as described in the foregoing resulted in a net budget expenditure of \$3,413 million in 1955. It is estimated that such operations will result in net budget expenditures of \$2,027 million in 1956 and \$1,423 million in 1957. The net loss for 1955, including both realized losses of \$930 million and net increases in valuation allowances of \$1,384 million, amounted to \$2,314 million. It is estimated that net losses of \$744.5 million and \$966 million will be incurred in 1956 and 1957, respectively.

Pursuant to the act of March 8, 1938, as amended (15 U.S.C. 713a-1), an appraisal of the assets and liabilities of the Corporation is made each year by the Secretary of the Treasury to determine net worth. If the net worth is less than \$100,000,000 the Secretary of the Treasury restores the amount of capital impairment; if net worth is more than \$100,000,000 the Corporation pays the surplus to the Treasury (15 U.S.C. 713a-2).

Annual appraisals as of June 30, 1953, and as at the close of prior fiscal years, were based upon valuation of assets at the lower of cost to the Corporation or average market value during June of the fiscal year. Capital impairment determined in that manner resulted from valuation of assets at less than cost and from realized losses on sales and other operations. Public Law 312, approved March 20, 1954, provides that the appraisal of assets shall be on the basis of cost to the Corporation; therefore, future appraisals will determine the amount of surplus or capital impairment on the basis of realized losses without regard to established losses from revaluation of assets.

There was a deficit of \$3,406,765,340 on the books of the Corporation as of June 30, 1955. This deficit is composed of \$2,433,927,704 in valuation reserves established against the assets of the Corporation as of June 30, 1955; \$41,915,799 representing costs, recorded in the books of the Corporation at June 30, 1955, in connection with the furnishing of feed in the drought emergency program; and \$1,634,659 in unrestored realized losses.

The Corporation was reimbursed for the loss in connection with the drought emergency program and the realized loss of \$1,634,659 was restored by the Department of Agriculture Appropriation Act, 1956 after June 30, 1955. The 1957 Budget proposes an appropriation to effect the restoration of the difference of \$929,287,178 for unrestored realized losses.

Financial Condition

The Corporation's assets, which consist principally of price-support loans receivable and inventories, were valued at \$5,639 million as of June 30, 1955, and are estimated at \$7,631 million as of June 30, 1956, and \$7,760 million as of June 30, 1957. The estimated increase in assets as of June 30, 1957, over June 30, 1956, principally represents an increase of \$400 million in accounts receivable recoverable from subsequent appropriations, an increase of \$283 million in the estimated value of inventories and an increase of \$106 million in the estimated value of other current assets, offset by a decrease of \$660 million in the estimated value of loans outstanding. The decrease in loans outstanding is due primarily to cotton. The increase in accounts and notes receivable mainly reflects the financing of sales for foreign currencies and assistance to friendly peoples under the Agricultural Trade Development and Assistance Act of 1954, for which the Corporation will not be reimbursed until 1957 and subsequent fiscal years.

The changes in the Corporation's assets are also reflected in its principal liabilities and investment of the United States Government. Outstanding borrowings from the Treasury are estimated to amount to \$9,632 million as of June 30, 1956, and \$10,108 million as of June 30, 1957. Other liabilities of the Corporation, principally, price support loans held by banks, amounted to \$1,338 million as of June 30, 1955; it is estimated that these liabilities will amount to \$2,007 million as of June 30, 1956; and \$1,696 million as of June 30, 1957.

ADMINISTRATIVE EXPENSES

Administrative expenses are for the operating staff, including the services of employees of the Commodity Stabilization Service engaged in Commodity Credit Corporation activities, services performed by other agencies of the Department, costs of audit, and payments to the General Services Administration for space in the District of Columbia.

Expenses in connection with the acquisition, operation, maintenance, improvement, or disposition (including inspection, classing and grading work performed on a fee basis by Federal employees or Federal- or State-licensed inspectors) of property which the Corporation owns or in which it has an interest have been treated as program rather than administrative expenses since 1951. Similarly, expenses of other Federal agencies whose services are utilized in the handling of Commodity Credit Corporation property are treated as program expenses. Such expenses would include the fleet storage operations of the Maritime Administration conducted intermittently since 1949 and the services rendered by the General Services Administration in connection with the strategic, critical, and other materials acquired by the Corporation. It is also contemplated that administrative expenses will be accounted for on an obligation basis as has been the case in the current and prior years.

The requested authorization excludes expenses in connection with the supply and foreign purchase program, the International Wheat Agreement and the wool and mohair price-support program under the National Wool Act of 1954; the budget for 1957 contemplates full reimbursement for these expenses.

Such reimbursements in connection with the supply and foreign purchase program will be obtained and used in 1957 in the same manner as in 1955 and 1956. These are generally obtained through a mark-up on invoices evidencing sales, which are credited on the books of the Corporation to an income account which, in turn, is charged with all of the administrative expenses incurred in connection with this program. Balances remaining in the account at the end of any fiscal year are used in succeeding fiscal years to defray administrative expenses incurred in liquidating all phases of this program. The mark-up is established at a rate which is so determined and applied as to provide full reimbursement on an over-all basis for all administrative expenses in connection with the supply and foreign purchase program and takes into account the fact that with respect to particular commodities, sales, or operations the mark-up may be more or less than the exact administrative expenses incurred. The rate of mark-up is adjusted from time to time as conditions warrant.

Reimbursements for administrative expenses, as well as program expenses under the International Wheat Agreement and wool and mohair program will be obtained from appropriations made specifically for these programs.



RESTORATION OF CAPITAL IMPAIRMENT,
COMMODITY CREDIT CORPORATION

Appropriation Act, 1956	\$1,634,659
Budget Estimate, 1957	<u>929,287,178</u>
Increase (for restoration of capital impairment of CCC for 1955 activities)	<u>+927,652,519</u>

PROJECT STATEMENT

By Project or Function	1956 (1954 Im- pairment)	Increase	Budget Estimate, 1957 (1955 Impairment)
Restoration of Capital Impairment	\$1,634,659	+\$927,652,519	\$929,287,178

INCREASE

The increase of \$927,652,519 required for restoration of the capital impairment as of June 30, 1955, represents the difference between realized losses sustained during the fiscal year 1955 and the appropriation made in 1956 to restore the capital impairment as of June 30, 1954. Under present legislation, the increases or decreases in amounts required to restore capital impairment would coincide with the difference between realized losses from one year to another. However, since the restoration as of June 30, 1954 included an adjustment of \$545,534,182 to conform with an amendment to the Act of March 8, 1938, in which the method of the appraisal of assets, in effect, was changed from an estimated loss basis to a realized loss basis, the increase in this estimate reflects a transitional situation as follows:

	1956 (1954 Impairment)	1957 (1955 Impairment)	Increase
Realized losses, 1954 and 1955	\$547,168,841	\$929,287,178	+\$382,118,337
Restorations in excess of realized losses as of June 30, 1953 .	-545,534,182	- -	+545,534,182
Restoration of capital impairment ..	1,634,659	929,287,178	+927,652,519

Comparison of Realized Losses and Gains
Applicable to Restoration of Capital Impairment

(million dollars)

Program and commodity	1956 (1954 Impairment)	1957 (1955 Impairment)	Increase (+) or Decrease (-) in Realized Losses
Price support program:			
Basic commodities:			
Corn	\$81	\$75	-\$6
Cotton	2	1*	-3
Peanuts	23	2	-21
Rice	1*	10*	-9
Tobacco	1	1	-
Wheat	<u>71</u>	<u>127</u>	<u>+56</u>
Total basic	<u>177</u>	<u>194</u>	<u>+17</u>
Mandatory nonbasic commodities:			
Butter (including oil)	36	219	+183
Cheese	13	76	+63
Milk, nonfat dry	82	118	+36
School milk program	-	22	+22
Armed services & Vet. milk ..	-	4	+4
Other	<u>-</u>	<u>3</u>	<u>+3</u>
Total mandatory nonbasic ..	<u>131</u>	<u>442</u>	<u>+311</u>
Other nonbasic commodities:			
Barley	2	14	+12
Beans, dry edible	7	4	-3
Cottonseed products	20	59	+39
Flaxseed	6	15	+9
Linseed oil	45	7	-38
Oats	4	14	+10
Seeds	18	4	-14
Sorghums, grain	7	42	+35
Other	<u>2</u>	<u>4</u>	<u>+2</u>
Total other nonbasic	<u>111</u>	<u>163</u>	<u>+52</u>
Total price support program ...	419	799	+380
Commodity export program	26	50	+24
Other programs	1*	1*	-
Interest, administrative, and other (net)	<u>103</u>	<u>81</u>	<u>-22</u>
Total realized losses	547	929	+382

*Denotes gains

ADMINISTRATIVE EXPENSES, COMMODITY CREDIT CORPORATION

Appropriation Act, 1956	\$26,000,000
Proposed supplemental authorization, 1956, for increased volume of price support activities and for pay act costs..	4,964,000
Base for 1957	30,964,000
Budget Estimate, 1957	31,000,000
Increase	+36,000

SUMMARY OF INCREASES AND DECREASES, 1957

Decrease in price support operations	-1,124,000
Decrease due to an unobligated balance in 1956	-700,000
Increase to provide a contingency reserve to enable the Corporation to meet any unforeseeable increase in workload	+1,860,000

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase or Decrease	1957 (estimated)
1. Price support pro- gram	\$22,872,167	\$28,676,000	-\$1,124,000(1)	\$27,552,000
2. Storage facilities program	1,516,102	1,494,000	- -	1,494,000
3. Commodity export program	52,246	94,000	- -	94,000
Unobligated balance	849,485	700,000	-700,000(2)	- -
Contingency reserve	- -	- -	+1,860,000(3)	1,860,000
Total pay act costs (P.L. 94)	[581,711]	[1,734,877]	[-124,777]	[1,610,100]
Total available or estimate	25,290,000	30,964,000	+36,000	31,000,000
Proposed supplemental due to increased workload	- -	-3,247,123		
Proposed supplemental due to pay increases..	- -	-1,716,877		
Total proposed supplemental	- -	-4,964,000		
Total appropriation or estimate	25,290,000	26,000,000		

INCREASES AND DECREASES

The net increase of \$36,000 in this item for 1957 consists of the following:

(1) A decrease of \$1,124,000 for the price support program:

This decrease is the result of several factors which are as follows:

- A. A decrease of \$819,500 resulting from a decrease in the estimated fiscal year 1957 program volume compared with the fiscal year 1956. The overall volume of price support commodities is estimated to be somewhat lower than for the current fiscal year. This decrease is due primarily to an anticipated decrease in loans and acquisitions with respect to cotton and wheat because of an estimated lower production of these commodities.

It is estimated that the quantity of cotton placed under loan will decrease from 6,525,000 bales in the fiscal year 1956 to 2,025,000 bales in the fiscal year 1957, and that wheat under loan will decrease from 250,323,600 bushels in 1956 to 199,000,000 bushels in 1957.

It is estimated that acquisitions of cotton will decrease from 6,387,100 bales in the fiscal year 1956 to 4,520,000 bales in the fiscal year 1957 and wheat acquisitions from 247,406,800 bushels in 1956 to 184,900,000 bushels in 1957.

Partially offsetting these and other decreases in the fiscal year 1957 are estimated increases in the volume of loans, acquisitions, and sales to be made with respect to corn. It is estimated that corn placed under loan will increase from 225,000,000 bushels in the fiscal year 1956 to 300,000,000 bushels in the fiscal year 1957 and that acquisitions of this commodity will increase from 263,333,600 bushels in 1956 to 333,000,000 bushels in 1957. Corn sales are estimated to increase from 108,000,000 bushels in 1956 to 141,107,287 bushels in the fiscal year 1957.

- B. A decrease of \$290,000 for administering Section 416 donations. In the fiscal year 1957 the costs in the Agricultural Marketing Service incident to distributing all surplus agricultural commodities pursuant to Section 416 of the Agricultural Act of 1949, as amended, will be financed with Section 32 funds, as explained in the justification for the item "Removal of Surplus Agricultural Commodities" under the Agricultural Marketing Service.
- C. A decrease of \$214,500 in connection with the special school milk program which, under existing legislation, is authorized only until June 30, 1956. The Agricultural Act of 1954 authorized the Corporation to use not to exceed \$50,000,000 of its funds, annually, during the fiscal years 1955 and 1956, to provide for increased milk consumption by children in non-profit schools. The estimates for the Special School Milk Program were formulated prior to the President's Farm Message of January 9, 1956, and, under legislation existing prior to the convening of this Session of Congress, only \$108,000 would be required to liquidate this program in the fiscal year 1957. This is \$214,500 less than the \$322,500 estimated to be required in the fiscal year 1956. The President's Farm Message contained a recommendation that the Special School Milk Program be

extended for two years beyond June 30, 1956, with authorization to use CCC funds increased from 50 to 75 million dollars a year. If this recommendation is enacted, the administrative expenses of the program during the fiscal year 1957 are estimated to exceed the 1956 costs because of a 50 percent expansion in program volume and result in an increase rather than a decrease for this program. If this program is extended by the Congress it will be necessary to release a portion of the proposed administrative expense contingency reserve to finance the expanded operations.

- D. An increase of \$200,000 to place accelerated sales activity on a full-year basis. Subsequent to the beginning of the fiscal year 1956 the Corporation established the position of general sales manager and proceeded to establish a sales staff with the express purpose of promoting and expanding the sales activity of the Corporation. This activity will be on a full-year basis in the fiscal year 1957.

- (2) A decrease of \$700,000 due to an unobligated balance in 1956:

The fiscal year 1956 Agricultural Appropriation Act specified that the amount of \$1,000,000 for Commodity Credit Corporation administrative expenses was available only to expand and strengthen the sales program of the Corporation. Of this amount it is estimated that approximately \$300,000 will be obligated, leaving an unobligated balance of approximately \$700,000, not available for any purpose other than sales expansion.

- (3) Increase to provide a contingency reserve of not less than 6% of the total authorization--\$1,860,000 to enable the Corporation to meet any unforeseeable increase in workload:

The program volume estimates are highly tentative because the commodities, upon which present estimates of workload are largely based, have not as yet been planted or produced. Although it would at first appear that acreage allotments would diminish the volume of commodities produced, it is possible that acreage allotments may not fully succeed in reducing production to the level estimated. Furthermore, these estimates are based on the assumption that yields will be in line with recent averages, in spite of the fact that yields per acre have increased steadily over the past years. This is accounted for in better farming practices and improved seeds, insecticides, machinery, etc. Notwithstanding acreage allotments, producers may use more fertilizer and insecticides and devote their best lands to the production of those crops upon which acreage allotments have been placed, thereby obtaining still higher yields. From this it follows that production could exceed requirements, resulting in increased workload for the Corporation.

The estimates are based on the assumption that the level of Commodity Credit Corporation operations in the fiscal year 1957 will be below that for the fiscal year 1956. However, it has been demonstrated that operations of the Corporation are also influenced by highly unpredictable factors, such as

uncertainty of agricultural production in the United States and abroad, changes in domestic and world economic conditions and other conditions.

It is believed the establishment of a contingency reserve approximating not less than 6% of the administrative expense authorization will provide the Corporation with the administrative flexibility necessary to cope more adequately with the many unpredictable factors and conditions. It is therefore proposed that 6% of the Budget Estimate (\$1,860,000) be placed in a reserve for contingencies, with provision that the difference between the currently estimated need and the authorization requested be available for use only on approval of the Bureau of the Budget.

FUNCTIONAL BUDGET STATEMENT

Function	1955	1956 (estimated)	1957 (estimated)
1. Program Formulation and Direction	\$2,851,916	\$3,688,375	\$3,560,243
2. Fiscal, Transportation and Warehousing Services	1,368,671	1,743,040	1,782,402
3. Audit, Compliance and Investigation Services	1,377,740	1,645,526	1,682,143
4. Program Field Operations	18,120,399	22,296,764	21,191,072
Add: Transfers to cooperating Agencies	721,789	885,295	924,140
Contingency Reserve or Unobligated Balance	849,485	700,000	1,860,000
Total limitation	25,290,000	30,964,000	31,000,000

Function 1. Program Formulation and Direction.

This function includes formulating the programs and program policies; developing the operating provisions of the various programs; providing for the dissemination of these provisions to producers and segments of industry involved; and determining and facilitating the means for storing, managing and disposing of commodities acquired as a result of price support operations. These operations are performed by the Board of Directors, the Advisory Board, the Administrator, the General Sales Manager, and the CSS Commodity Divisions, and include continuous economic, analytical and other related work required on announced programs, and on related commodities.

The Agricultural Act of 1949, as amended, provides mandatory price support for the six basic commodities - corn, cotton, wheat, rice, peanuts and tobacco - and for the specific nonbasic commodities - wool, mohair, tung nuts, honey, milk, butterfat, and the products of milk and butterfat, and the products of milk and butterfat. Price support for other commodities is discretionary. The level of support for designated nonbasic commodities and the need for the program as well as the level of support for other commodities must be predicated upon economic factors set forth in the Act. The impact of these programs upon the national economy must be carefully considered. It is necessary to make these analyses not only on those commodities involved in price support programs but also to keep under constant surveillance the whole area of competing and substitute commodities, in order to assure that price support operations will not disadvantageously affect the prices and marketing of such competing or substitute commodities. (Actual operations in the field are carried out through the Commodity Stabilization Service Commodity Offices, and the Agricultural Stabilization and Conservation State and County Offices. See Function 4.) The decrease in the estimated cost of this function results primarily from termination of the special school milk program operations and the financing of Section 416 donations with Section 32 funds. Partially offsetting the decrease is an estimated increase in sales promotion and expansion activity.

Function 2. Fiscal, Transportation and Storage Services.

These services include (1) determining over-all fiscal and accounting policy and pricing within approved policies, (2) determining over-all policy for custody, transportation and storing, and (3) assisting in the formulation of claims policies and procedures which insure the protection of the interests of the Corporation in the settlement of claims. Included also is the technical supervision of these functions and the maintenance of the over-all books and accounts of the Corporation.

These functions are performed by the Fiscal and Transportation and Storage Services Divisions, and, in addition to providing operational data for the everyday management and conduct of the business, they enable the Corporation to comply with the multitude of prescribed fiscal, transportation and property accountability laws and regulations. The increase in the estimated cost of this function results from increased activity with respect to barter and Public Law 480 programs (sales for foreign currency and other assistance to friendly peoples.)

Function 3. Audit, Compliance, and Investigation Services.

These services are performed by the Audit Division and the Compliance and Investigation Division to determine whether the funds of the Corporation have been properly accounted for and its affairs properly administered, detect fraud or program violations and assist in criminal or civil litigation.

In addition to specific recoveries to the Government resulting from fines, penalties, disallowed claims and collection of loans, this work has resulted in incalculable benefits derived from the factor of deterrence brought about through general knowledge that audits and investigations are being conducted. The relatively small increase in the estimated cost of this function is due to an estimated increase in workload with respect to auditing services, resulting from increased program activity in the fiscal years 1955 and 1956.

Function 4. Program Field Operations.

Programs are carried out in the field primarily through eight Commodity Stabilization Service Commodity Offices and 48 State Agricultural Stabilization and Conservation Offices. Their functional operations apply to accounting for loans, inventories and costs, and the storage, management and disposition of inventories of all commodities.

The amounts required by the CSS Commodity Offices during the fiscal years 1956 and 1957 were determined in the same manner as for previous budgetary submissions. The operating budgets for these offices for the current fiscal year have also been prepared in this manner. The method used is based upon the monthly "Work Status Report." This report reflects the actual number of documents (freight bills, loading orders, notes, etc.) processed and the actual man-days required for such processing for each office. The estimated program volume to be handled by each office was converted into the number of documents to be processed during each fiscal year. On the basis of experience as reflected in the "Work Status Report," the productivity rates expected to be attained were applied to the documents to be processed to determine the man-days required. This covered all of the expenses of these offices, except funds used for fixed operating costs such as supervisory personnel and costs other than personal services which were estimated on the basis of past experience.

The amount of funds required for program field operations is directly related to the volume of program operations. The attached Table 1 reflects the volume of program operations for the fiscal years 1956 and 1957 and Table 2 reflects the volume in terms of man-years and financial requirements for program field operations.

As shown in Table 1, the estimated workload for the CSS Commodity Offices for the fiscal year 1957 is less than for the fiscal year 1956. This is primarily due to decreased loan and acquisition activity with respect to cotton and wheat. However, as indicated under the explanation of the price support program, this decrease in workload is partially offset by an increase in loans and acquisitions and sales with respect to corn.

CHANGES IN LANGUAGE

The estimates include proposed changes in the language of this item, as follows (new language underscored; deleted matter enclosed in brackets):

- Nothing in the Act shall be so construed as to prevent the Commodity Credit Corporation from carrying out any activity or any program authorized by law: Provided, That not to exceed \$26,000,000 ~~\$31,000,000~~ shall be available for administrative expenses of the Corporation including uniforms or allowances therefor, as authorized by the Act of September 1, 1954 (5 U.S.C. 2131) as amended Provided further, That \$1,000,000 of this authorization shall be available only to expand and strengthen the sales program of the Corporation pursuant to authority contained in the Corporation's charter~~7~~: Provided further, That \$934,914 ~~not less than 6 per centum~~ of this authorization shall be placed in reserve to be apportioned pursuant to Section 3679 of the
- 1
 - 2
 - 3

Revised Statutes, as amended, for use only in such amounts and at such times as may become necessary to carry out program operations: Provided further, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof.

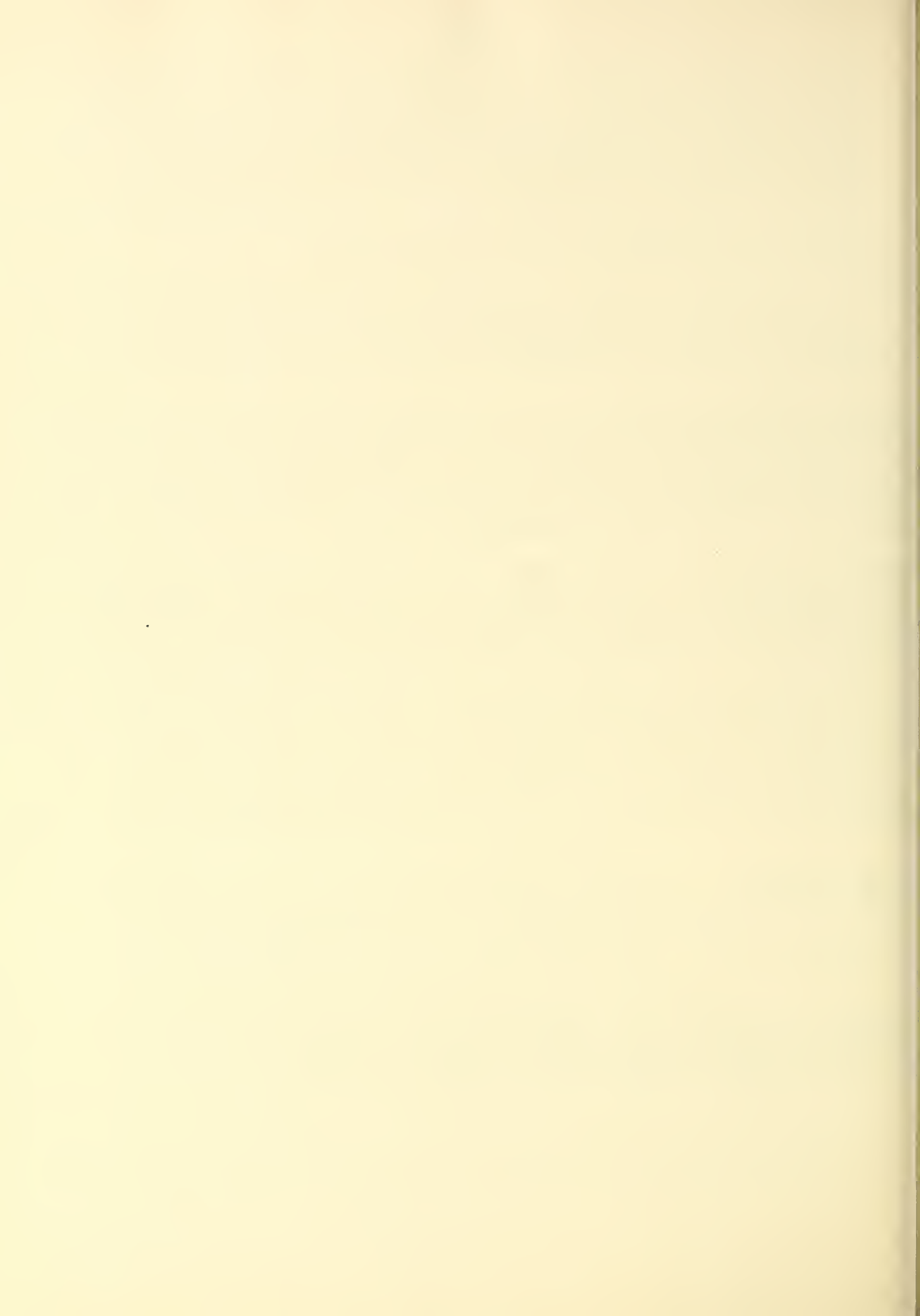
- 4 /For the purpose of assisting the Commodity Credit Corporation in selling its agricultural commodities, the position of sales manager is hereby authorized in grade 17 of the General Schedule of the Classification Act of 1949, as amended, in accordance with the standards and procedures of that Act.7

The first change proposes the insertion of language in the annual appropriation Act which would continue to permit the use of funds authorized under this item for the payment of uniform allowances to the three nurses in the Commodity Offices as authorized by the Act approved September 1, 1954, as amended. Authority for the payment of such allowances in the fiscal year 1956 was included in the Supplemental Appropriation Act, 1956.

The second change would eliminate the provision inserted in the 1956 Agricultural Appropriation Act by the Congress earmarking \$1,000,000 for strengthening and expanding the sales program of the Corporation. The present huge inventories of the Commodity Credit Corporation call for an aggressive sales policy, and such a sales policy is presently being followed. Heavy emphasis is being placed on export sales through the Foreign Agricultural Service, and action taken by the Commodity Stabilization Service in reorganizing so as to free the time of top officials of the Agency for sales activities are evidence of an aggressive sales policy. The Corporation has employed a General Sales Manager and has established a sales organization. Therefore, in view of the above, and in view of the fact that the present provision will not, in itself, provide any expansion or strengthening of the Corporation's sales program, it is proposed that the provision be deleted.

The third change in the language would establish a reserve of not less than 6 per centum of the authorization rather than a definite amount in order to provide the Corporation with the administrative flexibility necessary to meet the many unpredictable factors inherent in its operations as explained in more detail in the preceding statement of increases and decreases.

The fourth change deletes the language authorizing the position of Sales Manager in grade GS-17. This authorization which was provided in the Supplemental Appropriation Act, 1956, is permanent language. Therefore, it is not necessary to include similar authority for 1957.



UNITED STATES DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

Table I

Estimated Volume of Commodities
Commodity Credit Corporation Price Support and Storage Facility Program
Fiscal Years 1956 and 1957

	All Commodities		Cotton	
	Except Cotton			
	1956	1957	1956	1957
	(carlots)		(000's bales)	
I. <u>LOAN ACTIVITY</u>				
A. Loans Made	489,535	463,711	6,525	2,025
B. Loans Repaid	72,620	75,167	1,621	1,505
C. Loans Forfeited:				
1. Warehouse Stored	190,799	176,372	6,387	4,520
2. Farm Stored	237,002	219,080	-	-
II. <u>INVENTORY MANAGEMENT</u>				
A. On Hand Beginning of Fiscal Year	1,058,370	1,162,143	1,662	6,610
B. Additions:				
1. Purchases	26,765	24,543	-	-
2. Purchase Agreement Deliveries	58,826	47,947	-	-
3. Forfeiture of Collateral	427,801	395,452	6,387	4,520
4. Exchanges	33,000	33,000	-	-
5. Transfers	35,000	35,000	-	-
Total additions	581,392	535,942	6,387	4,520
C. Dispositions:				
1. Sales	387,947	410,671	1,439	2,835
2. Donations	21,672	12,195	-	-
3. Exchanges	33,000	33,000	-	-
4. Transfers	35,000	35,000	-	-
Total dispositions...	477,619	490,866	1,439	2,835
D. On Hand End of Fiscal Year ..	1,162,142	1,207,219	6,610	8,295
E. Reconcentrations	350,173	359,500	2,500	1,775



Page 1:

Table II

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UNITED STATES DEPARTMENT OF AGRICULTURE
Commodity Stabilization Service

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Program Field Operations
Estimated Workload, Man-Years Requirements and Costs
Fiscal Years 1956 and 1957

Table II - Continued

ACTIVITY	UNIT OF MEASURE	Fiscal Year 1956			Fiscal Year 1957		
		Production Rate Per Man-Year	Number of Units to be Processed	Man-Years Required	Production Rate Per Man-Year	Number of Units to be Processed	Man-Years Required
III. PRODUCER TRANSACTIONS							
A. Loan Making							
24 1. Centralized Loans	Note or Bale	25,343	6,544,207	258.2	25,246	2,044,207	81.0
25 2. De-centralized Loans	Schedule	5,168	233,112	45.1	5,148	220,672	42.9
26 3. Servicing Agents' Fees	Invoice	574	7,424	12.9	572	7,424	13.0
B. Loan Liquidation							
1. By Repayment							
27 a. Centralized Loans	Bale or Cash Item per Note	37,871	1,674,179	44.2	37,726	1,557,966	41.3
28 b. De-centralized Loans	Schedule	4,124	48,413	11.7	4,108	50,111	12.2
2. By Acquisition of Collateral							
29 a. Farm Stored	CL-7 or CL-8	6,264	474,004	75.7	6,240	438,160	70.2
30 b. Warehouse Stored							
(1) Collateral Acquis.	Note or Bale	36,100*	6,768,717	187.5	34,780*	4,872,744	140.1
31 (2) Pre-Recordation of Collateral	Card	43,065	635,997	14.8	42,900	587,907	13.7
32 (3) Equity Payments & Cotton Pooling	Note or Bale	106,543*	6,413,684	60.2	97,314*	4,544,543	46.7
33 C. Purchase Agreement Deliveries	CP-4	5,820	98,043	16.8	5,798	79,912	13.8
34 D. Settlements with Producers on Cotton Claims	Prod. Settle. Statement	3,132	53,679	17.2	3,120	38,254	12.3
35 E. Allocation of Reconcentration Charges to Cotton Loans	Bale	44,240	1,250,000	28.3	44,070	887,500	20.1
IV. MISCELLANEOUS PROGRAM ACTIVITIES							
A. Payments							
36 1. International Wheat Agree.	Invoice						
37 2. Section 32 Diver. & Export	Invoice						
B. Claims by and Against CSS							
38 1. Claims Determination	Claim Document	705	38,681	55.2	702	38,681	55.4
39 2. Claims Recordation & Review	Claim Document	757	22,555	29.8	754	22,555	29.9
40 C. Collection of Claims and Other Accounts Receivable	xxxx			68.7			69.0
41 D. Cash Receipts	Cash Item or Schedule	10,623	312,489	29.4	10,582	295,893	28.0
42 E. Regular Reports	Report	392	19,028	48.5	390	19,028	48.8
43 F. Special Reports	Report	78	864	11.1	78	864	11.1
44 G. Operational Assis. in the Field	xxxx			2.5			2.5
45 H. Cotton Pool Distribution	Check	79,063	220,000	2.8	78,760	220,000	2.8
46 I. Regional Attorney Requests	xxxx			5.6			5.6
47 J. Criminal Court Proceedings	xxxx			.1			.1
48 K. Public Law 480 - Title I	xxxx			26.9			27.0
49 Emergency Grain Storage		574	26,220	45.7	572	26,220	45.8
50 Certificates of Interest - Cotton		4,046	1,700	.4	4,030	1,700	.4
51							
52							
53							

CSS-BY 12/6/55 *Weighted for cotton activity



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Fiscal Years 1956 and 1957

Fiscal Years 1956 and 1957

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RESEARCH ON STRATEGIC AND CRITICAL AGRICULTURAL MATERIALS

Purpose Statement

The Strategic and Critical Materials Stock Piling Act of July 23, 1946, in section 7 (b), authorizes and directs the Department of Agriculture to make scientific, technologic, and economic investigations of the feasibility of developing domestic sources of supplies of any agricultural material or substitutes for such materials determined by the Office of Defense Mobilization to be strategic and critical. This appropriation is for the purpose of enabling the Department to carry out its responsibilities under that Act.

This program is administered by the Agricultural Research Administrator. The Office of Defense Mobilization, however, recommends or approves investigations to be undertaken. Investigations are at present being conducted on the domestic production of vegetable tannins, castor oil, and strategic fibers.

	Estimated Available, <u>1956</u>	Budget Estimate, <u>1957</u>
Appropriated Funds	\$316,000	\$316,000

2. 10
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REVISION OF PROJECT STRUCTURE

The following changes are proposed in the project structure under Research on Strategic and Critical Agricultural Materials in order to describe more specifically the work that is actually being conducted:

Project Structure in 1956 Budget

1. Investigations of domestic production of vegetable tannins
2. Investigations on vegetable fats and oils
3. Investigations on fiber plants

Project Structure in 1957 Estimates

1. No change
2. Development of a domestic source of castor oil
3. Research on domestic production of strategic fibers

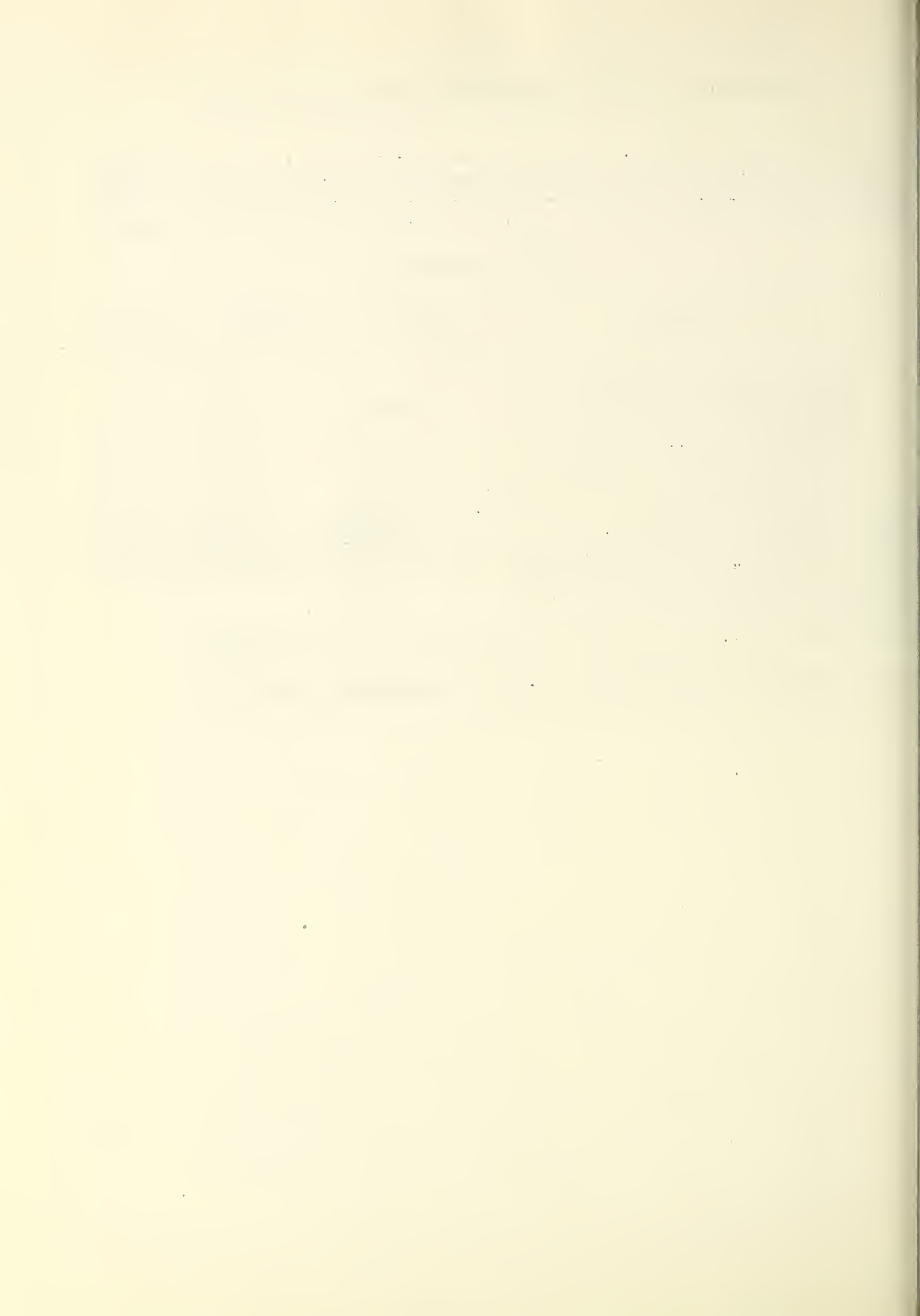
There has been no change in the objective of the program of work.

Research on Strategic and Critical Agricultural Materials

Appropriation Act, 1956	\$300,000
Proposed supplemental, 1956, due to pay increases	16,000
Base for 1957	<u>316,000</u>
Budget Estimate, 1957	<u>316,000</u>

PROJECT STATEMENT

Project	1955	1956 (estimated)	1957 (estimated)
1. Investigations of domestic produc- tion of vegetable tannins	\$103,641	\$76,500	\$76,500
2. Development of a domestic source of castor oil	115,743	121,600	121,600
3. Research on domestic production of strategic fibers	110,969	117,900	117,900
Unobligated balance	4,407	- -	- -
Total pay costs (P.L. 94)	[4,600]	[16,000]	[16,000]
Total available or estimate	<u>334,760</u>	<u>316,000</u>	<u>316,000</u>
Transfer from "Salaries and Expenses, Federal Extension Service"	-3,260	- -	-
Proposed supplemental due to pay increases	- -	-16,000	-
Total appropriation or estimate	<u>331,500</u>	<u>300,000</u>	-



STATUS OF PROGRAM

This appropriation enables the Department of Agriculture to carry out its responsibilities under the Strategic and Critical Materials Stock Piling Act of July 23, 1946. This Act authorizes and directs the Department to make scientific, technologic, and economic investigations of the feasibility of developing domestic sources of supplies of any agricultural material or substitutes for such materials determined by the Office of Defense Mobilization to be strategic and critical. Investigations are undertaken only upon recommendation of the Office of Defense Mobilization.

Current activities include research on domestic production of vegetable tannins, castor oil, and strategic fibers as follows:

1. Tannin investigations are devoted to the possible production of tanning materials from crops that can be produced in the United States, especially from canaigre, a desert plant grown in the Southwestern United States. Experimental plantings have been established in Arizona. Production problems encountered in growing this crop on a semi-commercial scale are being studied and improved varieties developed. Tannin extract has been prepared in a pilot plant on a scale large enough to permit commercial evaluation by its use in the production of experimental lots of heavy leather. Improvements in extraction processes are also being studied.
2. Current work on castor oil, which is an important source for strategically valuable special purpose lubricants and plastics, is devoted to problems encountered in lowering the cost of the domestic production of this oil through the development of superior varieties adapted to mechanical handling in the various areas of production, and the development of improved equipment for growing and harvesting the crop.
3. Studies in the field of strategic fibers are directed toward problems encountered in developing the domestic production of hard fibers and hard fiber substitutes (sansevieria, phormium, and hemp) that can be used for such purposes as lines and ropes on naval vessels, and of kenaf, a soft fiber with qualities similar to jute. Production research is conducted on breeding, disease, and quality problems, and engineering research on the development of improved planting, harvesting and handling equipment.

Selected Examples of Recent Progress

1. Fresh canaigre roots may be stored successfully as long as 12 months. Two series of storage tests with freshly harvested canaigre roots, conducted at Lubbock, Texas, and Mesa, Arizona, resulted in successful storage where roots were well ventilated and protected from excessive heat or cold. Almost complete spoilage occurred in treatments in which roots were stored in heaps or pits and covered with soil. The results of these tests, together with observation on the storage of breeding stock, indicate that freshly harvested canaigre roots may be stored for as long as 12 months at reasonable cost and with very small losses in extractable tannin. This is an important consideration in any plan for commercial extraction of tannin from fresh canaigre roots in the area of production.

Approximately 200 tons of shredded, dried canaigre roots have been made available to the Eastern Utilization Research Laboratory at Philadelphia which is making pilot plant studies of the extraction of tannin and obtaining evaluation of the leathers produced with such tannins.

2. New inbred lines of castorbeans developed. Custer, a new inbred line, developed in cooperation with the Oklahoma Agricultural Experiment Station and tested experimentally as USDA 367, has been released to growers for the 1955 season. It is well adapted to the present dry-land and irrigated areas of castorbean production and combines the early maturity, shatter resistance and desirable plant type necessary for satisfactory yields. Custer is well adapted to midseason planting in Arizona and California, and may be planted after small grain in those areas as part of the system of double-cropping. Its desirable plant type and shatter-resistance make it suitable for machine harvesting and the thin capsule walls permit efficient hulling--an important feature for reducing market dockage. Custer is susceptible to bacterial leaf spot and is recommended for use only in Oklahoma, Texas, Arizona, and California where leaf spot diseases are not prevalent.

A new line tested at Davis, California had an average oil content of 57.5% as compared with 52.5% for the check variety. This high yielding variety appears to have promise for the irrigated areas of California and Arizona.

3. Pilot planting of sansevieria speeds development and testing of cutting and transplanting equipment. Formerly sansevieria leaves were cut and set in the ground entirely by hand. Basic design features for leaf cutting and transplanting equipment have been developed which show promise of making these mechanical operations entirely practicable for large scale production operations. Modifications and alterations for farm use are now under field trial. The pilot planting in Florida will also enable engineers and plant scientists to devise mechanical equipment for weed control, fertilization and harvesting operations for domestic production of this long-fiber crop.
4. Research on storage of hemp, kenaf, and phormium seed continued. The purpose of these studies is to determine the length of time that these seeds of strategic fiber crops can be held in viable condition. Such knowledge is needed for determining the quantities of such seed which would need to be held in storage for sudden expansion of domestic production in the event of an emergency and the frequency with which such stored supplies would need to be replaced to maintain viable seed. Hemp seed stored with 8 percent or lower moisture has maintained original viability for 6 years at 50°F. or lower temperatures. Seed stored at 70°F. with a moisture of 6 percent also maintains original viability after 6 years, but with 8 percent moisture was unfit for planting after 3 years. Kenaf seed stored under natural conditions in Cuba for one year decreased in germination from 90 percent to 3 percent. In a dehumidified room in Cuba, the seed lost only 5 to 25 percent viability in one year.

5. Identification of physiological races within the fungus Colletotrichum hibisci aids kenaf breeding work. This disease has been found to be the most serious hazard to the domestic production of kenaf. The determination and establishment of at least three physiologic races within C. hibisci partially explains the former conflicting reaction certain apparently resistant lines of kenaf have given when inoculated with pure unidentified races of the fungus, and which later became infected when grown under field conditions. Using pure line selections of kenaf as differentials, the three races were isolated and by use of a limited number of kenaf strains were shown to be different. Several kenaf strains were found to be resistant to races designated as 1 and 3 but most of the varieties and strains tested were susceptible to race 2. These findings have greatly facilitated the breeding of resistant varieties.

REIMBURSEMENTS TO COMMODITY CREDIT CORPORATION FOR ADVANCES
FOR ANIMAL DISEASE ERADICATION ACTIVITIES,
AGRICULTURAL RESEARCH SERVICE

PURPOSE STATEMENT

The purpose of this request is to provide funds to reimburse the Commodity Credit Corporation for advances made and other costs incurred in fiscal year 1955 for livestock disease eradication activities administered by the Agricultural Research Service pursuant to authority contained in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955 and Section 204(e) of Title II of the Agricultural Act of 1954, Public Law 690 approved August 28, 1954.

Eradication of Foot-and-Mouth Disease - Since fiscal year 1948, the agricultural appropriation acts have included an authorization which provides that, when emergency outbreaks of diseases threaten the livestock or poultry industry, the Secretary may transfer to the appropriation "Foot-and-mouth and other contagious diseases of animals and poultry" such sums as he may deem necessary from appropriations or funds available to other bureaus, corporations or agencies of the Department.

Transfers to finance foot-and-mouth disease eradication and preventive measures in connection with outbreaks of the disease in Mexico and Canada have been made from Commodity Credit Corporation funds. Subsequently Congress has provided for repayment of such transfers.

On December 31, 1954, Mexico was declared to be free of foot-and-mouth disease. The cost of the eradication activities in fiscal year 1955, including interest through June 30, 1956, was \$1,269,330. It is not anticipated that funds will be required to be transferred for this activity in fiscal year 1956 or 1957 unless there is an outbreak of foot-and-mouth disease in the United States or adjacent countries.

Eradication of Brucellosis - The Agricultural Act of 1954 authorized the transfer of not to exceed \$15 million annually for a period of two years to the item "Plant and Animal Disease and Pest Control" under the appropriation "Salaries and Expenses, Agricultural Research Service" for the purpose of accelerating the brucellosis eradication program.

On September 23, 1954 the Secretary approved the initiation of an accelerated program. The cost of the expanded program in fiscal year 1955, including interest through June 30, 1956, was \$11,791,624. In fiscal year 1956 it is anticipated that the full amount authorized for the expanded program will be needed and an appropriation will be requested as a part of the 1958 Budget Estimates to reimburse the corporation for this cost.

	Estimated Available, 1956 (fiscal year 1954 program)	Budget Estimate, 1957 (fiscal year 1955 program)
Appropriated funds:		
Eradication of foot-and-mouth disease	\$5,788,897	\$1,269,330
Eradication of brucellosis	- -	11,791,624
Total	<u>5,788,897</u>	<u>13,060,954</u>



REIMBURSEMENTS TO COMMODITY CREDIT CORPORATION FOR
ADVANCES FOR ANIMAL DISEASE ERADICATION ACTIVITIES

Appropriation Act, 1956 (fiscal year 1954 program)	5,788,897 a/
Budget Estimate, 1957	13,060,954
Increase (to reimburse Commodity Credit Corporation for costs incurred during fiscal year 1955)	<u>+7,272,057</u>

a/ Appropriated under the heading "Repayment to Commodity Credit Corporation for Eradication of Foot-and-Mouth and other Contagious Diseases of Animals and Poultry."

SUMMARY OF INCREASES AND DECREASES, 1957

Decrease due to reduction in amount required to reimburse Commodity Credit Corporation for costs incurred for eradication of foot-and-mouth and other contagious diseases	-4,519,567
Increase to reimburse Commodity Credit Corporation for costs incurred for accelerated brucellosis program initiated in fiscal year 1955	+11,791,624

PROJECT STATEMENT

Project	1955	1956 :(estimated):	Increase or Decrease	1957 :(estimated)
Reimbursements for costs incurred in prior fiscal years:	:	:	:	:
(a) For eradication of foot-and-mouth disease	- -	5,788,897:-	4,519,567(1):	1,269,330
(b) For brucellosis eradication	- -	- -	+11,791,624(2):	11,791,624
Total available or estimate ...:	- -	5,788,897:	+7,272,057	13,060,954
Transfer in 1957 Estimates	:	:	:	:
from "Repayment to Commodity Credit Corporation for Eradication of Foot-and-Mouth and Other Contagious Diseases of Animals and Poultry"	- -	-5,788,897:	:	:
Total appropriation	- -	- -	:	:

INCREASES AND DECREASES

(1) Decrease of 4,519,567 due to reduction in amount required to reimburse Commodity Credit Corporation for costs incurred for eradication of foot-and-mouth and other contagious diseases.

An appropriation of 1,269,330 is requested to discharge indebtedness to Commodity Credit Corporation for funds transferred and expenses incurred during fiscal year 1955 (including interest thereon through June 30, 1956) in connection with the program for the eradication of foot-and-mouth disease in Mexico. This is a decrease of 4,519,567 from the appropriation made in fiscal year 1956 to discharge indebtedness to Commodity Credit Corporation for funds transferred to meet costs incurred during fiscal year 1954, including interest. The transfers in fiscal year 1955 were made pursuant to authority granted in the Department of Agriculture

and Farm Credit Administration Appropriation Act, 1955.

On December 31, 1954, Mexico was declared to be free of foot-and-mouth disease. It is not anticipated that transfers from Commodity Credit Corporation will be required for this activity in fiscal years 1956 or 1957 unless there is an outbreak of foot-and-mouth disease in the United States or adjacent countries, and, therefore, there will be no necessity to request an appropriation in the fiscal year 1958 to reimburse Commodity Credit Corporation for costs incurred for eradication of foot-and-mouth disease in Mexico. (In the fiscal year 1956, funds are being transferred from the Commodity Credit Corporation for the eradication of vesicular exanthema of swine, as indicated in these Explanatory Notes under the Agricultural Research Service in the justification for the item "Foot-and-Mouth and other contagious diseases of animals and poultry".)

Following the enactment of Public Law 8 approved February 28, 1947, the Department entered into a cooperative program with the Government of Mexico to eradicate an extensive outbreak of foot-and-mouth disease in that country. Because of the nature of the disease it was not possible to make accurate estimates of the cost of the program. Therefore, beginning with the fiscal year 1948, Congress authorized the transfer of funds to the appropriation item "Foot-and-mouth and other contagious diseases of animals and poultry," to finance the work. Transfers made from funds of the Commodity Credit Corporation have been repaid in prior years either by appropriations or authorization to cancel notes. A summary of appropriations and authorizations to cancel notes follows:

Source of Funds for Financing Program
Fiscal Years 1947 - 1954

Item	Appropriations	Cancellation of Notes	Total
Department of Agriculture			
Appropriation Act, 1947, approved:			
June 22, 1946	305,000	- -	305,000
Public Law 22, approved March 27, 1947	9,000,000	- -	9,000,000
Second Urgent Deficiency Appropriation Act, 1947, approved June 27, 1947	1,500,000	- -	1,500,000
Emergency Appropriation Act, approved July 3, 1947	5,000,000	- -	5,000,000
Department of Agriculture Appropriation Act, approved July 30, 1947	100,000	- -	100,000
Second Deficiency Appropriation Act, 1948, approved June 25, 1948	25,400,000	- -	25,400,000
Third Deficiency Appropriation Act, 1949, approved October 10, 1949	34,000,000	- -	34,000,000
Department of Agriculture Appropriation Act, 1952 approved August 31, 1951	- -	32,700,000	32,700,000
Department of Agriculture Appropriation Act, 1953, approved July 5, 1952	- -	11,240,532	11,240,532
Department of Agriculture Appropriation Act, 1954, approved July 28, 1953	- -	7,057,575	7,057,575
Public Law 295, approved February 12, 1954	- -	2,064,060	2,064,060
Department of Agriculture and Farm Credit Administration Appropriation Act, 1956, approved May 23, 1955	5,788,397	- -	5,788,397
Total appropriated funds and cancellation of notes	31,093,897	53,062,167	134,156,064

1/ Reimbursement to Commodity Credit Corporation.

The obligations under this program for fiscal year 1955, for which repayment is now requested, and a summary of the financing through the Commodity Credit Corporation follows:

EXPLANATION OF ESTIMATES

Eradication of Foot-and-Mouth Disease

Obligations, 1955

1. Cooperation with the Government of Mexico in the control, eradication and prevention of foot-and-mouth disease:		
Payments made to the Mexican-United States Commission for the eradication and prevention of foot-and-mouth disease in Mexico	237,000	
Direct Federal expenses for program in Mexico	<u>711,427</u>	948,427
2. Mexican border inspection and quarantine		418,748
3. Interest:		
Actual on advances made prior to June 30, 1955	71,215	
Amount provided by 1956 appropriation for estimated interest from July 1, 1954, through June 30, 1955	<u>-56,568</u>	14,647
Total		<u>1,381,822</u>
Less:		
Prior year balance available in 1955		-166,175
1955 balance available in 1956 (to be applied to the vesicular exanthema program)		+29,000
Total due June 30, 1955		<u>1,244,647</u>
Estimated interest through June 30, 1956		<u>24,683</u>
Total amount for reimbursement to Commodity Credit Corporation		<u><u>1,269,330</u></u>

SUMMARY OF COST OF FINANCING PROGRAM THROUGH
COMMODITY CREDIT CORPORATION

Fiscal Years 1948 - 1955 with interest to June 30, 1956

Total transfers from Commodity Credit Corporation	150,748,000	
Expenses incurred:		
Interest on funds transferred	2,349,394	
Expenses incident to handling of canned meat and meat products	<u>3,314,335</u>	5,663,729
Subtotal		<u>156,411,729</u>
Less:		
Reimbursements:		
By appropriations	65,188,897	
By cancellation of notes	53,062,167	
Receipts from sales of canned meat and meat products	36,803,723	
Reimbursements from Mexican packing plants for inspection services	<u>112,295</u>	155,167,082
Total due June 30, 1955		<u>1,244,647</u>
Estimated interest July 1, 1955 through June 30, 1956		<u>24,683</u>
Amount to be reimbursed to Commodity Credit Corporation		<u><u>1,269,330</u></u>

(2) Increase of 11,791,624 to reimburse Commodity Credit Corporation for costs incurred for accelerated brucellosis program initiated in fiscal year 1955.

An appropriation of 11,791,624 is requested to discharge indebtedness to Commodity Credit Corporation for funds transferred to cover expenses incurred during the fiscal year 1955 (including interest thereon through June 30, 1956) in connection with the accelerated brucellosis eradication program. This transfer was made pursuant to authority granted under Section 204(e) of Title II of the Agricultural Act of 1954, Public Law 690 approved August 28, 1954, which provided for the transfer of not to exceed \$15,000,000 annually for a period of two years from funds available to the Commodity Credit Corporation to the appropriation "Salaries and Expenses, Agricultural Research Service, Plant and Animal Disease and Pest Control." On September 23, 1954, the Secretary approved the initiation of an accelerated brucellosis eradication program and funds were transferred from the Commodity Credit Corporation as authorized.

The cost of the program during its first year of operation was as follows:

Operating funds	7,276,036
Indemnity payments	4,282,661
Subtotal	11,558,697
Estimated interest through June 30, 1956 ...	232,927
Total amount for reimbursement to Commodity Credit Corporation	<u>11,791,624</u>

Information with respect to this program and accomplishments in 1955 is included in the justification for the item "Plant and Animal Disease and Pest Control" under Salaries and Expenses, Agricultural Research Service.

EXPLANATION OF NEW LANGUAGE

The estimates include proposed new language for this item as follows (new language underscored):

To reimburse the Commodity Credit Corporation for authorized transfers (including interest through June 30, 1956) as follows: (1) 1,269,330 for sums transferred to the appropriation "Foot-and-mouth and other contagious diseases of animals and poultry", fiscal year 1955, for eradication activities, pursuant to authority contained under such head in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955, and (2) 11,791,624 for sums transferred to the appropriation "Salaries and expenses, Agricultural Research Service", fiscal year 1955, for brucellosis eradication, pursuant to section 204(e) of the Act of August 28, 1954 (7 U.S.C. 397).

The new item provides for reimbursements to Commodity Credit Corporation for costs incurred in fiscal year 1955, including interest through June 30, 1956, for two programs as follows:

1. For eradication of foot-and-mouth disease.

The costs of this program were incurred under authority contained in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1955.

In the Department of Agriculture and Farm Credit Administration Appropriation Act, 1956, authority to reimburse the Commodity Credit Corporation for the costs of this program in fiscal year 1954, including interest thereon through June 30, 1955, was provided under the appropriation item, "Repayment to Commodity Credit Corporation for Eradication of Foot-and-Mouth and Other Contagious Diseases of Animals and Poultry." It is proposed to delete that appropriation item and combine it with this new appropriation.

2. For brucellosis eradication.

The costs of this program were incurred under authority of section 204(e) of the Act of August 28, 1954 (7 U.S.C. 397).

REPAYMENT TO COMMODITY CREDIT CORPORATION FOR ERADICATION OF
FOOT-AND-MOUTH AND OTHER CONTAGIOUS DISEASES OF ANIMALS AND POULTRY

DELETION OF LANGUAGE

The estimates propose deletion of the language for this item as follows (deleted language enclosed in brackets):

[For reimbursement to Commodity Credit Corporation for sums transferred to the appropriation "Eradication of foot-and-mouth and other contagious diseases of animals and poultry", fiscal year 1954 (including interest thereon through June 30, 1955), pursuant to authority contained under such head in the Department of Agriculture Appropriation Act, 1954, \$5,788,897.]

Deletion of the entire language for this item is proposed since similar authority is included in the new appropriation item "Reimbursements to Commodity Credit Corporation for Advances for Animal Disease Eradication Activities."

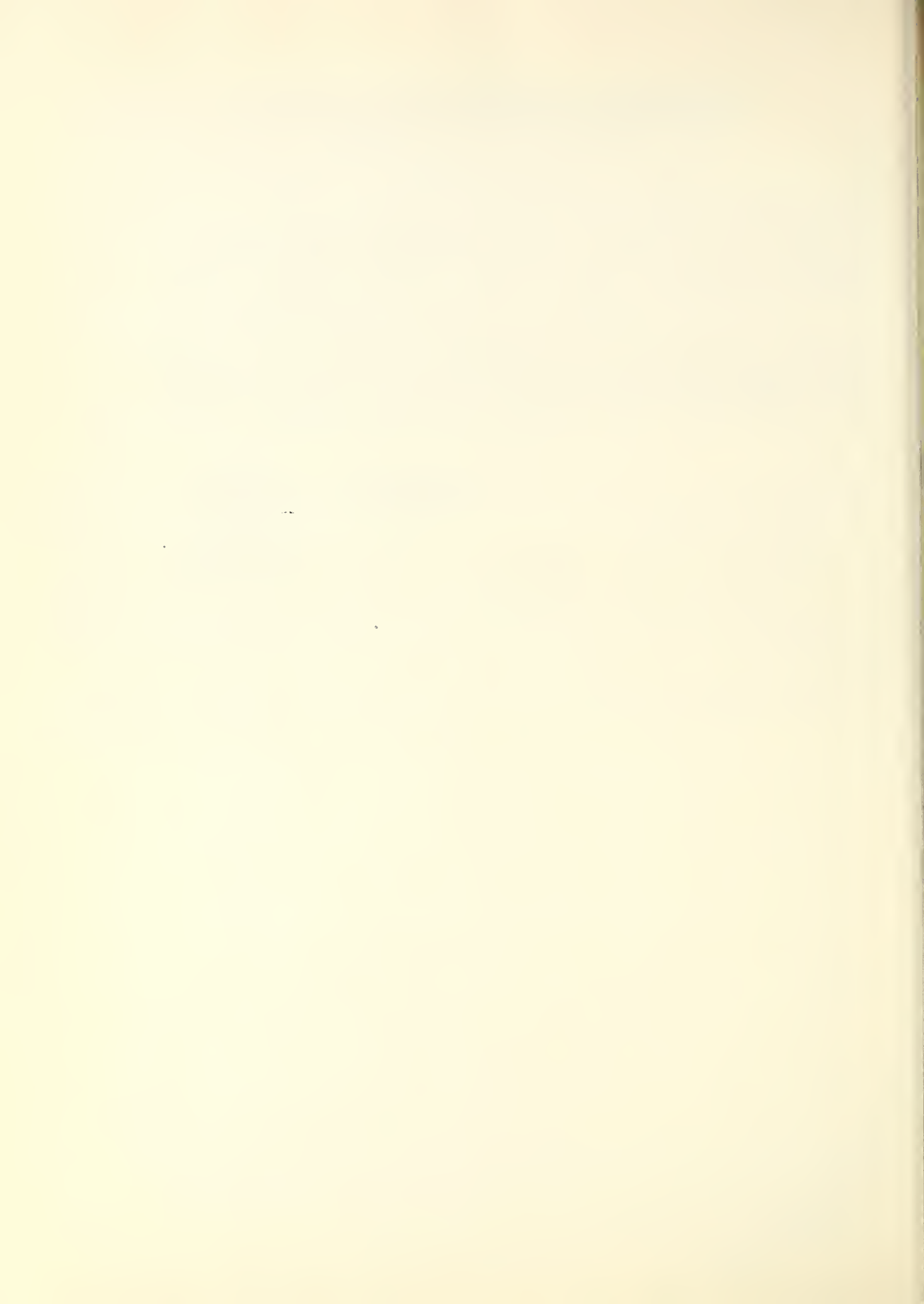
REIMBURSEMENT TO COMMODITY CREDIT CORPORATION
FOR ADVANCES FOR GRADING AND CLASSING ACTIVITIES,
AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Department of Agriculture Appropriation Act for 1952 authorized advances from the Commodity Credit Corporation to appropriations available for classing and grading agricultural commodities without charge to producers in order to insure a prompt, efficient service. Such advances must be repaid from subsequent appropriations.

This item reflects funds for reimbursing Commodity Credit Corporation (including interest) so that the Corporation may be made whole for funds advanced which were in excess of the cost of classing cotton and grading tobacco which were placed under price support.

	<u>Appropriated, 1956</u>	<u>Budget Estimate, 1957</u>
Appropriated funds	- -	\$367,740 (1955 costs)



REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR ADVANCES
FOR GRADING AND CLASSING ACTIVITIES,
AGRICULTURAL MARKETING SERVICE

Appropriation Act, 1956, and base for 1957	- -
Budget Estimate, 1957	\$367,740
Increase (to reimburse Commodity Credit Corporation for costs incurred in fiscal year 1955 for inspecting and grading tobacco and classing cotton not placed under loan)	<u>+367,740</u>

PROJECT STATEMENT

Project	: 1955	: 1956	: Increase	: 1957 (estimated)
Reimbursement to Commodity:	:	:	:	:
Credit Corporation	: \$441,655:	- -	: +\$367,740(1):	: \$367,740

INCREASE

(1) An amount of \$367,740 is needed to reimburse the Commodity Credit Corporation for costs incurred in fiscal year 1955 for inspecting and grading tobacco and classing cotton not placed under loan. Under the Smith-Doxey Act of 1937, farmers organized to promote improvement of cotton are eligible for free classing service. Under the Tobacco Inspection Act of 1935 tobacco producers selling tobacco at designated auction markets are eligible for free inspection and grading service. The class of cotton or the grade of tobacco placed on the commodity by a Federal cotton classer or a Federal tobacco inspector is accepted as evidence of quality when producers place their commodities under loan or offer them for sale to the Commodity Credit Corporation.

If these programs are to operate effectively and to be of maximum benefit to producers, it is necessary to maintain (1) a force of tobacco inspectors large enough to grade the tobacco on all auction floors prior to sale, and (2) a cotton classing organization which is capable of getting classification returns to producers promptly.

The demand for these services in 1955 exceeded that which could be provided from available appropriations and other funds. Therefore, in order to insure a prompt efficient service, funds were advanced from Commodity Credit Corporation under authority contained in the Department of Agriculture Appropriation Act, 1952.

Portion of Funds Advanced in 1955 Must be Repaid

In fiscal year 1955 a total of \$1,241,000 was advanced from CCC under the 1952 Appropriation Act authority. The portion of this amount which is attributed to cost of classing or grading cotton and tobacco going under price support loan is borne by the Commodity Credit Corporation. Therefore, this appropriation estimate represents the net amount required for providing these services for the quantities not going under

loan. The total cost of classing Smith-Doxey cotton which went under loan in 1955 was \$495,708 while the amount advanced for this purpose was \$821,000. With respect to tobacco inspection, the total advanced was \$420,000 while the cost of inspecting and grading tobacco that went under loan amounted to \$310,767. The appropriation requested for 1957 is to repay Commodity Credit Corporation (with interest) for that part of the amount advanced which was in excess of the cost of classing cotton and grading tobacco which were placed under price support.

The basis for the amount requested for repayment in 1957 is as follows:

Cotton:

Estimated total number of classings by Federal employees	11,866,115
Estimated cost of all classings by Federal employees	\$2,749,562
Average cost per classing	21.91¢
Estimated total bales classed under Smith-Doxey Act going under loan	2,262,478
Advance from CCC	\$821,000
Estimated cost of classing loan cotton (2,262,478 x 21.91)	-495,708
To be repaid CCC	<u>325,292</u>

Tobacco:

Estimated total quantity of tobacco inspected and graded at auction markets (lbs.)	2,301,917,103
Estimated cost of tobacco inspection at designated markets	\$1,937,448
Estimated quantity entering loan program (lbs.) ..	369,305,354
Percent of total entering loan	16.04%
Advance from CCC	\$420,000
Estimated cost of inspecting loan tobacco (16.04% of \$1,937,448)	-310,767
To be repaid CCC	<u>109,233</u>

Total amount to be repaid:

Cotton	\$325,292
Tobacco	109,233
Total	<u>434,525</u>
Interest through June 30, 1956 ...	<u>8,215</u>
Total amount to be reimbursed to CCC	442,740
Repaid from unobligated Marketing Services balances in 1955	-75,000
Appropriation Estimate, 1957	<u>367,740</u>

CHANGE IN LANGUAGE

The estimates propose new language for this item as follows (new language underscored):

For reimbursement to Commodity Credit Corporation for sums transferred to the appropriation "Marketing research and service", fiscal year 1955 (including interest thereon through June 30, 1956), pursuant to the Act of August 31, 1951 (7 U.S.C. 414a), for grading tobacco and classing cotton without charge to producers, as authorized by law (7 U.S.C. 473a, 511d), \$367,740.

This language would provide an appropriation for the amount necessary to repay the Commodity Credit Corporation for funds advanced in 1955 in excess of the cost of grading and classing agricultural commodities which went under commodity loan. Since no funds were required for this purpose in 1956, the language was deleted from the 1956 Appropriation Act.

1. The first part of the document is a list of names and addresses of the members of the committee. The names are listed in alphabetical order, and the addresses are given below each name. The list includes names such as Mr. J. H. Smith, Mr. W. B. Jones, and Mr. C. D. Brown, among others.

2. The second part of the document is a list of the names of the members of the committee who have been elected to the office of chairman and vice-chairman. The names are listed in alphabetical order, and the offices are given below each name. The list includes names such as Mr. J. H. Smith, Mr. W. B. Jones, and Mr. C. D. Brown, among others.

3. The third part of the document is a list of the names of the members of the committee who have been elected to the office of secretary and treasurer. The names are listed in alphabetical order, and the offices are given below each name. The list includes names such as Mr. J. H. Smith, Mr. W. B. Jones, and Mr. C. D. Brown, among others.

REIMBURSEMENTS TO COMMODITY CREDIT CORPORATION,
COMMODITY STABILIZATION SERVICE

Purpose Statement

The funds and facilities of the Commodity Credit Corporation have been utilized to carry out programs outside of its regular functions but involving the disposition of surplus agricultural commodities for which the Corporation is authorized to be reimbursed under specific legislation. In the past the Corporation has been reimbursed for costs in connection with these programs under a separate appropriation for each program. In order to simplify the estimates and present an over-all picture of these programs the amounts required to reimburse the Corporation have been consolidated into a single Budget Estimate for the fiscal year 1957.

1. International Wheat Agreement - This Agreement operates to provide an assured market for wheat to exporting countries and assured supplies of wheat to importing countries, at stable and equitable prices.

Under authority contained in the International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642), capital funds of Commodity Credit Corporation are used to pay (a) the difference between the price specified in the Agreement and the domestic market price of wheat, and (b) administrative and interest costs. The Act also authorizes appropriations to reimburse the Corporation for costs incurred.

2. Emergency Famine Relief to Friendly Peoples - The Act of August 7, 1953 (67 Stat. 476) directed the Commodity Credit Corporation to make its stocks of agricultural commodities available to the President through March 15, 1954, for furnishing emergency assistance to friendly peoples in meeting famine or other urgent relief requirements. The Act also authorized the appropriation of funds to reimburse the Corporation for its investment in such commodities including handling and the cost incurred in making deliveries. Operations under this Act have been completed and the Commodity Credit Corporation reimbursed therefor by appropriation contained in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1956.

Title II of the Agricultural Trade Development and Assistance Act of 1954, P. L. 480, (68 Stat. 454) directs the Commodity Credit Corporation to continue a program of this nature through June 30, 1957, and similarly authorizes the appropriation of not more than \$300,000,000 to reimburse the Corporation.

3. Sales of Surplus Agricultural Commodities for Foreign Currencies - Title I of the Agricultural Trade Development and Assistance Act of 1954, P. L. 480, (68 Stat. 454-459) authorizes the President, until June 30, 1957, to carry out a program for the sale of surplus agricultural commodities for foreign currencies. The Act provides that Commodity Credit Corporation shall make available for sale to domestic exporters surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the Administration of its price-support operations, and shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation.

The Act further provides various specified uses of the foreign currencies by any department or agency of the Government and requires reimbursement to Commodity Credit Corporation by the agency using such funds if appropriations have been made for any of the specified uses. To the extent the Corporation is not thus reimbursed by other agencies, the Act authorizes appropriations to reimburse Commodity Credit Corporation for its investment in commodities used under the Act including processing, packaging, transportation and handling costs, and for costs incurred in financing the exportation of commodities, and limits transactions requiring appropriations to \$1.5 billion.

4. Transfer of Hay and Pasture Seeds - The Act of July 26, 1954 (68 Stat. 529) provided for the transfer of hay and pasture seed acquired by the Commodity Credit Corporation under the price support program to the Forest Service, Department of Agriculture, the Fish and Wildlife Service, Interior Department; and the Bureau of Land Management, Interior Department and authorized the appropriation of funds to reimburse the Commodity Credit Corporation for its investment in the seeds transferred pursuant to the Act. The estimate includes a provision to cover reimbursement for operations during fiscal year 1955 in the amount of \$184,678. No further activity is contemplated under this program.

	Estimated Available, 1956	Budget Estimate, 1957
1. International Wheat Agreement	\$57,378,551	\$101,130,155
2. Emergency famine relief to friendly peoples	9,545,830	88,628,927
3. Sales of surplus agricultural commodities for foreign currencies	- -	67,477,228
4. Transfer of hay and pasture seeds	- -	184,678
Total	<u>66,924,381</u>	<u>257,420,988</u>

REIMBURSEMENTS TO COMMODITY CREDIT CORPORATION

Appropriation Act, 1956	\$66,924,381
Budget Estimate, 1957	257,420,988
Increase	<u>+190,496,607</u>

SUMMARY OF INCREASES, 1957

Increase in net costs of the Commodity Credit Corporation in carrying out the International Wheat Agreement Program	+43,751,604
Increase for emergency famine relief to friendly peoples	+79,083,097
Increase for costs incurred in the sale of surplus agricultural commodities for foreign currencies	+67,477,228
Increase for costs incurred in the transfer of hay and pasture seeds to Federal land-administering agencies	+184,678

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase or Decrease	1957 (estimated)
International wheat agreement	- -	\$57,378,551	+\$43,751,604(1)	\$101,130,155
Emergency famine re- lief to friendly peoples	- -	a/ 9,545,830	+79,083,097(2)	88,628,927
Sales of surplus agri- cultural commodities: for foreign curren- cies	- -	- -	+67,477,228(3)	67,477,228
Transfer of hay and pasture seeds	- -	- -	+184,678(4)	184,678
Total appropriation or estimate	- -	a/66,924,381	+190,496,607	257,420,988

a/ Includes estimated unobligated balance of \$8,676.

INCREASES AND DECREASES

(1) International Wheat Agreement.

The increase of \$43,751,604 is composed of the following:

- A. Program Costs - The increase in program costs results from an increased volume of exports, from 118,025,100 bushels in the fiscal year 1954 to 131,567,381 bushels in the fiscal year 1955 and an increase in the spread between the domestic market price of wheat and the agreement price, from 48¢ per bushel in the fiscal year 1954 to 75¢ per bushel in the fiscal year 1955.

- B. Interest Costs - Increased interest costs result from (a) the substantial increase in the fiscal year 1955 in the amount of funds required to finance International Wheat Agreement program activities, and (b) an increase in the average interest rate, from 1% applicable against funds used to finance program operations for the fiscal year 1954, to 2% applicable against funds required for the fiscal year 1955.
- C. Total Costs - Following is a summary comparing the program costs reflected in the Budget estimates with the appropriation for 1956 and a table showing the details, by country, of the amounts included in the 1957 Budget.

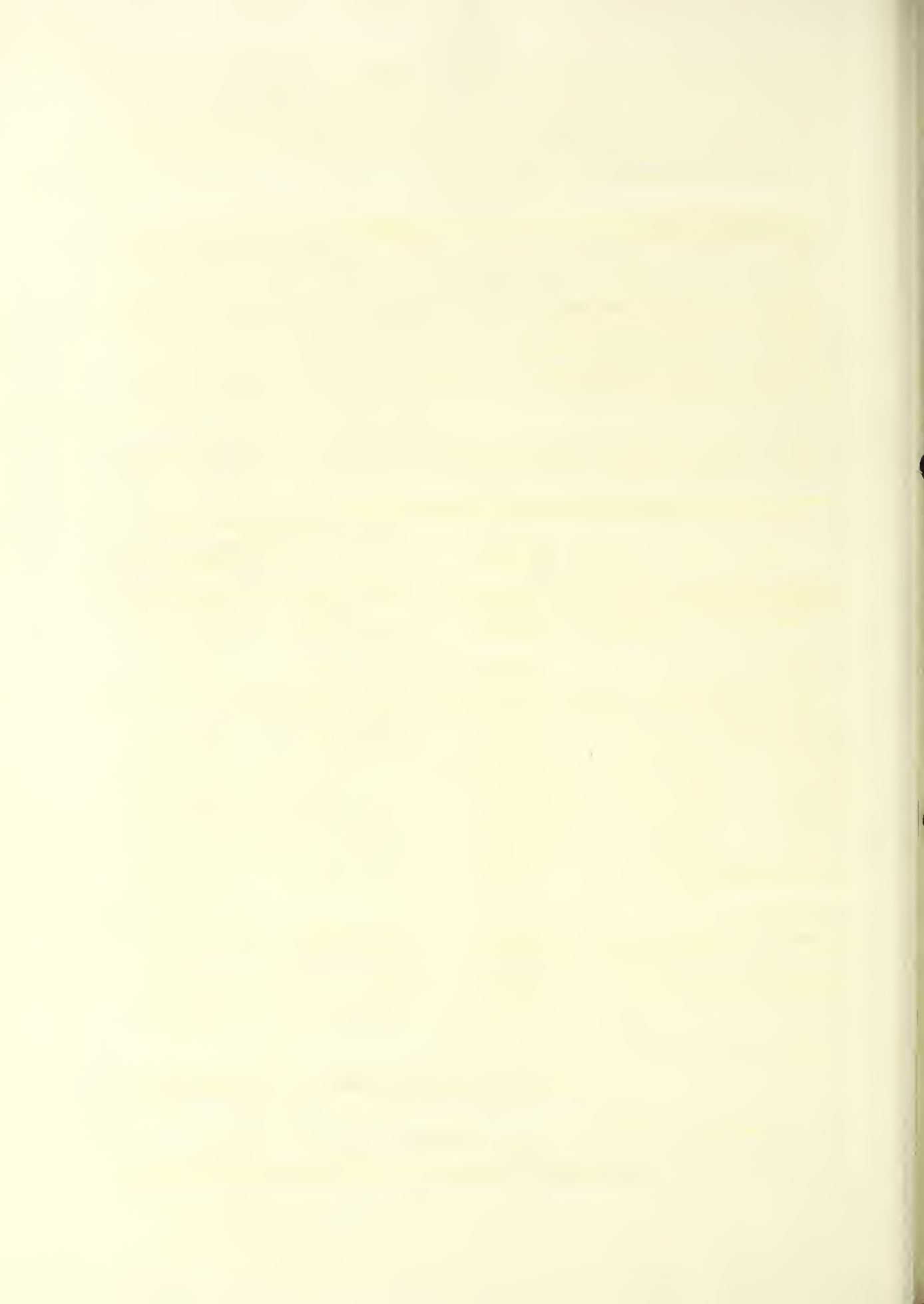
	<u>1956 Appropriation</u>	<u>Increase</u>	<u>1957 Estimate</u>
Program Costs	\$56,144,551	+\$42,529,956	\$98,674,507
Interest Costs	1,234,000	+1,221,648	2,455,648
Total	<u>57,378,551</u>	<u>+43,751,604</u>	<u>101,130,155</u>

UNITED STATES DEPARTMENT OF AGRICULTURE
Commodity Stabilization Service
Wheat and Wheat Flour (bushel equivalent) Exported from the United States
Pursuant to the Terms of the International Wheat Agreement
Fiscal Year 1955

Importing Country	Source and Quantity of Exports (Bushels)			Amount Due CCC	Average Cost to CCC per Bushel
	CCC Price Support Program	Commercial	Total		
Austria		1,983,121	1,983,121	\$1,301,339	.66
Belgium		5,249,601	5,249,601	3,815,392	.73
Bolivia		743,988	743,988	578,905	.78
Brazil		5,178,856	5,178,856	3,056,280	.59
Costa Rica		724,979	724,979	631,335	.87
Cuba		5,104,518	5,104,518	4,783,658	.94
Dominican Republic		532,056	532,056	501,533	.94
Ecuador		288,060	288,060	188,485	.65
Egypt	414,874	-	414,874	392,022	.94
El Salvador		481,382	481,382	438,562	.91
Germany		25,465,129	25,465,129	17,309,970	.68
Greece		12,045,368	12,045,368	9,145,359	.76
Guatemala		742,570	742,570	556,863	.75
Haiti		1,473,283	1,473,283	1,393,895	.95
Honduras		444,939	444,939	376,322	.85
Iceland		35,344	35,344	29,621	.84
India		5,351,400	5,351,400	3,895,634	.73
Indonesia		374,131	374,131	358,965	.96
Ireland		379,381	379,381	250,369	.66
Israel		7,284,550	7,284,550	5,265,113	.72
Japan		18,923,283	18,923,283	13,148,734	.69
Korea		1,773,417	1,773,417	1,394,852	.79
Lebanon		1,580,110	1,580,110	1,518,004	.96
Liberia		42,087	42,087	39,774	.94
Mexico		150,000	150,000	107,400	.72
Netherlands		15,052,607	15,052,607	11,693,139	.78
Nicaragua		238,717	238,717	213,685	.89
Norway		5,402,775	5,402,775	4,069,742	.75
Panama		423,459	423,459	371,458	.88
Peru		761,893	761,893	553,664	.73
Philippines		4,052,965	4,052,965	4,077,485	1.01
Portugal		2,128,985	2,128,985	1,561,794	.73
Saudi Arabia		748,609	748,609	714,093	.95
Spain		338,690	338,690	199,827	.59
Union of South Africa	2,067,629	-	2,067,629	1,414,796	.68
Vatican City		559,472	559,472	389,833	.70
Venezuela		3,011,900	3,011,900	2,797,644	.93
Yugoslavia		13,253	13,253	10,276	.77
Unidentified Collections				-63,746	-
Total	2,482,503	129,084,878	131,567,381	\$98,674,507 ^{1/}	.75
Interest Cost ^{2/}	-	-	-	2,455,648	.02
GRAND TOTAL	2,482,503	129,084,874	131,567,381	\$101,130,155	.77

^{1/} Includes \$192,431 Administrative Expenses.

^{2/} Interest computed through June 30, 1956



During the fiscal year 1956 it is estimated that 140,000,000 bushels of wheat and wheat equivalent of flour will be exported under the Agreement at a cost of \$87,183,225. The Agreement expires July 31, 1956; therefore, operations and costs in the fiscal year 1957 are dependent upon the terms of any agreement which may be entered into to cover this program after that date.

(2) Emergency Famine Relief to Friendly Peoples.

Under the Act of August 7, 1953 (67 Stat. 476) the Commodity Credit Corporation delivered 71,048 long tons of agricultural commodities at a cost to the Corporation of \$9,537,154. In the fiscal year 1956 \$9,545,830 was appropriated to cover this cost leaving an unobligated balance of \$8,676. Under the Act of July 10, 1954, Public Law 480, Title II (68 Stat. 454) the Corporation delivered 575,539 long tons of agricultural commodities at a cost of \$88,628,927, an increase of 504,491 long tons and \$79,091,773 over the amount required in the fiscal year 1956.

The following schedule reflects fiscal year 1955 activity under this program by commodity:

	Unit of Measure	CCC Commodities Made Available	
		Quantity	CCC Investment
Cotton, Upland	Bales	4,842	\$998,755
Butter	Pounds	6,466,097	4,781,578
Butter Oil	Pounds	2,143,262	2,042,625
Cheese	Pounds	4,254,483	2,010,647
Milk, Dried	Pounds	11,253,365	2,486,007
Barley	Bushels	79,200	167,001
Beans, Dry Edible	Cwt.	178,306	1,851,551
Corn	Bushels	3,301,508	7,986,824
Cornmeal	Pounds	2,203,350	124,717
Rice, Milled	Cwt.	305,962	3,801,672
Rye Flour	Pounds	1,102,100	94,055
Wheat	Bushels	15,934,079	50,471,741
Wheat Flour	Pounds	68,890,850	5,372,676
Cottonseed Oil, Refined:	Pounds	17,097,889	4,433,286
Interest through June 30, 1956	XXXX	XXXX	2,005,792
Total Reimbursement:			
Commodity Credit Corporation	XXXX	XXXX	88,628,927

During the fiscal year 1956 it is estimated that 547,591 long tons of agricultural commodities at a cost of \$108,216,495 will be provided by the Commodity Credit Corporation to meet famine and other emergency relief requirements of friendly peoples under Title II of Public Law 480. It is estimated that 522,055 long tons of agricultural commodities will be provided in the fiscal year 1957 at a cost of \$103,126,463.

(3) Sales for Foreign Currencies.

The total costs incurred by the Corporation during the first year (fiscal year 1955) of operations conducted under authority of Title I, Public Law 480, including interest through June 30, 1956, were \$132,103,453. Of this amount \$111,231,307 represents the Corporation's investment in 894,357 long tons of commodities sold, and \$17,933,325 was expended for ocean transportation costs and the cost of financing the sale of commodities exported from other than Commodity Credit Corporation-owned stocks. The dollar equivalent of various foreign currencies required to be deposited for agricultural commodities exported as of June 30, 1955 was \$64,626,225. This amount has been deducted in total from the Corporation's requested reimbursement because at the present time it is not known what proportion of foreign currencies received will finally be used by other Government agencies for programs for which appropriated funds are available and for which the Corporation would ultimately be reimbursed in dollars. None of the foreign currencies received was sold for dollars during the fiscal year 1955.

The following schedule reflects the details of costs under this program during the fiscal year 1955 and the composition of the requested reimbursement.

Commodity	Unit	CCC Com. Made Available		Cost of Financing Exportation Under Title I	Amount to be Reimbursed by Appropriation
		Quantity	Investment		
Cotton, Upland.....	bale	54,691	\$8,212,746	\$1,980,678	\$10,193,424
Butter.....	lb.	2,453,047	1,789,751	- -	1,789,751
Barley.....	bu.	5,888,850	9,214,223	2,135,636	11,349,859
Grain Sorghums.....	cwt.	422,240	1,528,763	356,543	1,885,306
Oats.....	bu.	3,439,571	3,543,767	1,456,681	5,000,448
Wheat.....	bu.	24,915,036	78,459,064	7,324,179	85,783,243
Cottonseed Oil, Refined.....	lb.	46,166,200	8,482,993	737,343	9,220,336
Tobacco.....	lb.	- -	- -	3,942,265	3,942,265
Costs thru June 30, 1955		xxx	111,231,307	17,933,325	129,164,632
Interest thru June 30, 1956					2,938,821
Total CCC Costs					132,103,453
Deduct dollar equivalent of foreign currencies required to be deposited for commodities exported as of June 30, 1955					64,626,225
Reimbursement requested in fiscal year 1957					67,477,228

During the fiscal year 1956 it is estimated that 3,108,846 long tons of surplus agricultural commodities will be sold under Title I of Public Law 480 for foreign currencies at a net cost to the Commodity Credit Corporation of \$743,072,925. In the fiscal year 1957 it is estimated that 3,229,696 long tons of commodities will be sold at a net cost of \$524,093,750.

(4) Hay and Pasture Seeds.

Pursuant to Public Law 524, approved July 26, 1954, the Commodity Credit Corporation transferred during the fiscal year 1955, hay and pasture seeds from its stocks to the Forest Service, Department of Agriculture, and to the Fish and Wildlife Service and the Bureau of Land Management, Department of Interior. The Corporation's investment in the seed transferred, including estimated interest costs through June 30, 1956, is estimated to be \$184,678. The Corporation is requesting reimbursement for this amount pursuant to Section 3 of the Act of July 26, 1954. Fiscal year 1955 was the first year in which this program was operative. No further activity is contemplated under this program.

Following is a summary of CCC expenses and receipts under these programs:

CCC Expenses and Receipts	1955 Program (Est.)	1956 Program (Est.)	1957 Program (Est.)
<u>INTERNATIONAL WHEAT AGREEMENT</u>			
Fiscal Year 1955:			
Program expenses	\$98,674,507:	--	--
Interest expenses	482,158:	--	--
Total expenses, 1955	99,156,665:	--	--
Fiscal Year 1956:			
Program expenses	--	\$84,235,000:	--
Interest expenses	1,973,490:	842,350:	--
Total expenses, 1956	1,973,490:	85,077,350:	--
Fiscal Year 1957:			
Program expenses	--	--	--
Interest expenses	--	2,105,875:	--
Total expenses, 1957	--	2,105,875:	--
Total expenses recoverable by appropriations in 1957 and 1958	101,130,155:	87,183,225:	--
<u>EMERGENCY FAINE RELIEF TO FRIENDLY PEOPLES</u>			
Fiscal Year 1955:			
Program expenses	86,623,135:	--	--
Interest expenses	273,329:	--	--
Total expenses, 1955	86,896,464:	--	--
Fiscal Year 1956:			
Program expenses	--	104,557,000:	--
Interest expenses	1,732,463:	1,045,570:	--
Total expenses, 1956	1,732,463:	105,602,570:	--

CCC Expenses and Receipts	1955 Program (Est.)	1956 Program (Est.)	1957 Program (Est.)
Fiscal Year 1957:			
Program expenses	- -	- -	\$ 99,399,000
Interest expenses	- -	\$2,613,925	1,242,488
Total expenses, 1957	- -	2,613,925	100,641,488
Fiscal Year 1958:			
Interest expenses	- -	- -	2,484,975
Total expenses recoverable by appro- priations in 1957, 1958 and 1959 ..	108,628,927	108,216,495	103,126,463
<u>SALES OF SURPLUS AGRICULTURAL COMMODITIES FOR FOREIGN CURRENCIES</u>			
Fiscal Year 1955:			
Program expenses	129,164,632	- -	- -
Interest expenses	355,528	- -	- -
Total expenses, 1955	129,520,160	- -	- -
Fiscal Year 1956:			
Program expenses	- -	727,896,547	- -
Interest expenses	2,583,293	7,228,965	- -
Sales of foreign currencies for dollars	- -	-10,000,000	- -
Net expenses, 1956	2,583,293	725,125,512	- -
Subtotal, fiscal years 1955 and 1956 ..	132,103,453	725,125,512	- -
Deduct: Dollar equivalent of foreign currencies required to be deposited for commodities exported as of June 30, 1955	1/64,626,225		
Appropriation, 1957	67,477,228		
Fiscal Year 1957:			
Program expenses	- -	- -	530,000,000
Interest expenses	1,615,000	17,947,413	6,463,750
Sales of foreign currencies for dollars	- -	- -	-25,000,000
Net expenses, 1957	1,615,000	17,947,413	511,468,750
Fiscal Year 1958:			
Interest expenses	- -	- -	12,625,000
Net expenses recoverable by appropria- tions in subsequent years	1,615,000	743,072,925	524,093,750
<u>TRANSFER OF HAY AND PASTURE SEEDS</u>			
Fiscal Year 1955:			
Program expenses	148,370	- -	- -
Interest expenses	1,289	- -	- -
Total expenses, 1955	149,659	- -	- -

CCC Expenses and Receipts	1955 Program (Est.)	1956 Program (Est.)	1957 Program (Est.)
Fiscal Year 1956:			
Program expenses	\$ 31,385:	- -	- -
Interest expenses	3,634:	- -	- -
Total expenses, 1956	35,019:	- -	- -
Total expenses, recoverable by appropriation in 1957	184,678:	- -	- -

1/ To the extent that these currencies are used by agencies for programs for which funds have not been appropriated, CCC recoveries in subsequent fiscal years will be increased.

CHANGES IN LANGUAGE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

1 REIMBURSEMENTS TO COMMODITY CREDIT CORPORATION

To reimburse the Commodity Credit Corporation for authorized costs (including interest through June 30, 1956), as follows: (1) \$101,130,155 under the International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642); (2) \$88,628,927 for commodities disposed of for emergency famine relief to friendly peoples pursuant to Title II of the Act of July 10, 1954 (7 U.S.C. 1691-1694); (3) \$67,477,228 for the sale of surplus agricultural commodities for foreign currencies pursuant to Title I of the Act of July 10, 1954 (7 U.S.C. 1691-1694); and (4) \$184,678 for the transfer of hay and pasture seeds to Federal land-administering agencies under the Act of July 26, 1954 (68 Stat. 529).

2 [INTERNATIONAL WHEAT AGREEMENT]

[To discharge indebtedness of the Commodity Credit Corporation to the Secretary of the Treasury for the net costs during the fiscal year 1954 (including interest thereon through June 30, 1955) under the International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642), \$57,378,551.]

3 [REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR EMERGENCY FAMINE RELIEF TO FRIENDLY PEOPLES]

[To reimburse the Commodity Credit Corporation for its investment (including costs of handling, delivery, and interest through June 30, 1955) in commodities disposed of under the Act of August 7, 1953 (67 Stat. 476), \$9,545,830.]

The first change provides a new appropriation item which consolidates the amounts required in 1957 to reimburse the Commodity Credit Corporation for authorized costs, including interest through June 30, 1956, for programs under the following Acts:

International Wheat Agreement Act of 1949, as amended (7 U.S.C. 1641-1642), for net costs during fiscal year 1955.

Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691-1694), for investment (including costs of processing, packaging, transportation and handling) in commodities disposed of for emergency famine relief to friendly peoples (Title II), and for costs incurred in the sale of surplus agricultural commodities for foreign currencies (Title I).

Public Law 524, 83d Congress (68 Stat. 529), for investment in hay and pasture seeds transferred to Federal land-administering agencies.

The second change deletes the language appearing in the 1956 Appropriation Act for appropriation to discharge the indebtedness of the Commodity Credit Corporation for the net costs during fiscal year 1954 under the International Wheat Agreement Act of 1949, as amended. The appropriation language for the net costs of the 1955 program is consolidated with other amounts for reimbursement to the Corporation under the proposed new language item.

The third change deletes the language appearing in the 1956 Appropriation Act to reimburse the Commodity Credit Corporation for its investment through June 30, 1955, in commodities disposed of for emergency famine relief to friendly peoples under the Act of August 7, 1953 (68 Stat. 476). Operations under this program have been completed and the Corporation reimbursed therefor. The language providing reimbursement for the investment in commodities of the Corporation through June 30, 1956, under the Act of July 10, 1954 (Public Law 480, 83d Congress) is consolidated with other amounts for reimbursement to the Corporation under the first proposed language item.

EMERGENCY FEED ASSISTANCE

Appropriation Act, 1956	\$42,100,000
Budget Estimate, 1957	- -
Decrease	<u>-42,100,000</u>

PROJECT STATEMENT

Project	1955	1956 :(estimated):	Increase or Decrease	1957 :(estimated)
1. Reimbursement to Commodity: Credit Corporation for costs incurred under the Emergency Feed Assistance Program	- -	\$41,915,799:-\$41,915,799:	- -	- -
Unobligated balance	- -	184,201: -184,201:	- -	- -
Total appropriation	- -	42,100,000:-42,100,000:	- -	- -

DECREASE

The decrease of \$42,100,000 results from the completion of operations under this program. The 1956 Appropriation Act reimbursed the Corporation for its costs involved in delivery of 1,821,638 long tons of feed.

CHANGE IN LANGUAGE

The estimates include proposed change in language as follows (deleted matter enclosed in brackets):

[REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR EMERGENCY FEED ASSISTANCE]

[To reimburse the Commodity Credit Corporation for losses representing the difference between the value of feed furnished farmers and stockmen in disaster areas and sales price received by the Corporation, \$42,100,000.]

This change deletes the language appearing in the 1956 Appropriation Act to reimburse the Commodity Credit Corporation for losses representing the difference between the value of feed furnished farmers and stockmen in disaster areas and the sales price received under the 1954 Emergency Feed Program. Operations under this program have been completed and the Corporation reimbursed therefor in the 1956 Appropriation Act.

TRANSFER OF WHEAT TO PAKISTAN

Appropriation Act, 1956	\$69,385,831
Budget Estimate, 1957	- -
Decrease	<u>-69,385,831</u>

PROJECT STATEMENT

Project	1955	1956 (estimated)	Increase or Decrease	1957 (estimated)
1. Reimbursement to Commodity Credit Corporation for costs incurred in Transfer of Wheat to Pakistan	- -	\$69,322,990	-\$69,322,990	- -
Unobligated balance	- -	62,841	- 62,841	- -
Total appropriation	- -	69,385,831	-69,385,831	- -

DECREASE

The decrease of \$69,385,831 results from the completion of operations under this program. The 1956 Appropriation Act reimbursed the Corporation for its costs involved in delivery of 22,847,537 bushels (611,987 long tons) of wheat.

CHANGE IN LANGUAGE

The estimates include proposed change in language as follows (deleted matter enclosed in brackets):

[REIMBURSEMENT TO COMMODITY CREDIT CORPORATION FOR TRANSFER OF WHEAT TO PAKISTAN]

[To reimburse the Commodity Credit Corporation for its investment (including costs of handling, delivery, and interest through June 30, 1955) in wheat transferred to the Government of Pakistan under the Act of June 25, 1953 (67 Stat. 80), \$69,385,831.]

This change deletes the language appearing in the 1956 Appropriation Act for appropriation to reimburse the Commodity Credit Corporation for its investment in wheat transferred to the Government of Pakistan under the Act of June 25, 1953 (67 Stat. 80). Operations under this program have been completed and the Corporation reimbursed therefor in the 1956 Appropriation Act.

GENERAL PROVISIONS

Section 501: Within the unit limit of cost fixed by law, the lump-sum appropriations and authorizations made for the Department under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed [535] 778 passenger motor vehicles [for replacement only], and for the hire of such vehicles, necessary in the conduct of the work of the Department outside the District of Columbia.

The estimates as amended by House Document No. 326, dated February 2, 1956, propose the acquisition of 778 passenger motor vehicles for use outside the District of Columbia. This number consists of 133 for the Forest Service (for which provision is to be made in another bill) and 645 for all other agencies of the Department. Of the 778 vehicles proposed for acquisition, 755 would be acquired to replace existing vehicles and 23 would be purchased without exchange of old vehicles for use by the Agricultural Research Service to effectively carry out the expanded agricultural research program proposed for 1957. The vehicles proposed to be replaced will all be at least six years old or will have mileage in excess of 60,000 miles at time of disposal. However, where vehicles are involved in accidents or where automobiles are operated over very rough terrain, it may become necessary to replace a limited number in the fiscal year 1957 which will be less than six years old or will have mileage less than 60,000 miles at time of replacement. A more detailed justification for the need for replacement of the 755 vehicles appears in the Explanatory Notes under the applicable agencies.

Section 502: Provisions of law prohibiting or restricting the employment of aliens shall not apply to [(1) the temporary employment of translators when competent citizen translators are not available; (2) employment in cases of emergency of persons in the field service of the Department for periods of not more than sixty days; and (3)] employment under the appropriation for the Foreign Agricultural Service.

The estimates propose deletion of language authorizing the temporary employment of aliens as translators and in cases of emergency in the field. Section 202 of the General Provisions of the General Government Matters Appropriation Act, 1956, approved June 29, 1955, authorized for fiscal year 1956 the temporary employment of aliens as translators, and the temporary employment in the field service for periods not to exceed sixty days as a result of emergencies. Since a similar provision is included in the 1957 General Provisions applicable to all departments, agencies, and corporations, it is not necessary to retain the language in the 1957 Agricultural Appropriation Act.

Section 503: Authorizes the expenditure of not to exceed \$1 for each option to purchase any tract or tracts of land under appropriations carried in the Act which are available for the purchase of lands.

Section 504: Prohibits the Department from issuing any prediction or forecast with respect to future prices or price trends on cotton, except as to damage threatened or caused by insects and pests.

Section 505: Prohibits, with certain exceptions, the purchase of twine manufactured from commodities or materials produced outside the United States.

Section 506: Provides that not less than \$1,500,000 of the appropriations of the Department for research and service work authorized by the Act of August 14, 1946 (Research and Marketing Act) and the Act of July 28, 1954 (Public Law 545) shall be available for contracts in accordance with said Acts. In connection with the increases for research proposed in the 1957 Budget, it is planned to make maximum use of facilities of private or other public organizations in helping resolve the problems for which increases are requested.

[Section 507: No part of any appropriation contained in this Act, or of the funds available for expenditure by any corporation included in this Act, shall be used to pay the salary or wages of any person who engages in a strike against the Government of the United States or who is a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or who advocates, or is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: Provided, That for the purposes hereof an affidavit shall be considered prima facie evidence that the person making the affidavit has not contrary to the provisions of this section engaged in a strike against the Government of the United States, is not a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or that such person does not advocate, and is not a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: Provided further, That any person who engages in a strike against the Government of the United States or who is a member of an organization of Government employees that asserts the right to strike against the Government of the United States, or who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence and accepts employment the salary or wages for which are paid from any appropriation or fund contained in this Act shall be guilty of a felony and, upon conviction, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both: Provided further, That the above penalty clause shall be in addition to, and not in substitution for, any other provisions of existing law: Provided further, That nothing in this section shall be construed to require an affidavit from any person employed for less than sixty days for sudden emergency work involving the loss of human life or destruction of property, the payment of salary or wages may be made to such persons from applicable appropriations for services rendered in such emergency without execution of the affidavit contemplated by this section.]

The estimates propose deletion of this section restricting the employment of persons who are members of an organization of Government employees that asserts the right to strike against the Government of the United States, or who advocate, or who are members of an organization that advocates the

overthrow of the Government. Provisions of this section became permanent legislation under the Act approved August 9, 1955 (Public Law 330). Therefore, it is not necessary to retain the language in the 1957 Agricultural Appropriation Act.

Section [508] 507: Prohibits the use of any funds provided in the Act for publicity or propaganda purposes to support or defeat legislation pending before the Congress.

Section [509] 508: Provides that Department appropriations for research and service work authorized by the Research and Marketing Act of 1946 shall be available for expenses of advisory committees established in accordance with that Act.

